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Comprehensive Nuclear-Test-Ban Treaty

Report of the Secretary-General

1. In paragraph 8 of its resolution 60/95 entitled "Comprehensive Nuclear-Test-Ban Treaty", the General Assembly requested the Secretary-General, in consultation with the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization, to prepare a report on the efforts of States that have ratified the Treaty towards its universalization and possibilities for providing assistance on ratification procedures to States that so request it, and to submit such a report to the General Assembly at its sixty-first session.
2. The present report is submitted pursuant to that request. Information on the subject provided by the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization is contained in the annex.

* A/61/50 and Corr.1.



Annex

**Report on efforts of States towards the universalization of the Comprehensive
Nuclear-Test-Ban Treaty^a
August 2005-May 2006**

<i>State</i>	<i>Date period</i>	<i>Activities and context</i>	<i>Comments</i>
I. Bilateral level			
1 (a). Activities relating to Annex 2 States			
Australia	August 2005-May 2006	In its capacity as Article XIV Coordinator, Australia urged China ^b to ratify the Treaty as soon as possible, emphasizing that, as an Annex 2 State and a nuclear weapon State, China had a special role to play.	
	August 2005-May 2006	The Australian Minister for Foreign Affairs wrote to his Indonesian counterpart to encourage ratification of the Treaty by Indonesia at the earliest possible opportunity.	
	August 2005-March 2006	In its capacity as Article XIV Coordinator, Australia provided assistance to the Special Representative of Ratifying States (Article XIV Conference Special Representative), for his visit to Indonesia from 1 to 4 March 2006 to discuss prospects for Indonesian ratification.	
	August 2005-May 2006	In its capacity as Article XIV Coordinator, Australia urged Pakistan to consider signing the Treaty to build international confidence in relation to Pakistan's nuclear programme.	

^a The report includes activities that have been completed (i.e. that are not ongoing or planned) and that were aimed at promoting entry into force of the Treaty.
^b Names of targeted States or of forums in which the activities were undertaken are in bold type.

<i>State</i>	<i>Date period</i>	<i>Activities and context</i>	<i>Comments</i>
	August 2005-March 2006	Through its Minister for Foreign Affairs who wrote to his counterpart in Viet Nam and the Australian Mission in Hanoi, Australia took a leading role in encouraging Viet Nam to ratify the Treaty. ^c	
	21-23 September 2005	In its capacity as Article XIV Coordinator, Australia supported the Article XIV Conference Special Representative by arranging, on the margins of the Article XIV Conference, appointments with China and Viet Nam .	
Austria	20 October 2005	The Minister for Foreign Affairs of Austria stressed the importance of entry into force of the Treaty with the Egyptian Minister for Foreign Affairs during his bilateral visit to Vienna.	
	27 March 2006	The Minister for Foreign Affairs of Austria stressed the importance of entry into force of the Treaty with Indonesia on the occasion of the European Union (EU) Troika-Indonesia Ministerial Meeting.	
Brazil	August 2005-May 2006	Brazil has consistently reiterated to Annex 2 States that have not yet signed and/or ratified the Treaty the importance of doing so and of promoting its immediate entry into force.	
Canada	September 2005	Canada's Minister for Foreign Affairs wrote letters to his counterparts in those Annex 2 States that have yet to ratify the Treaty, urging their Governments to do so as soon as possible.	

^c Viet Nam ratified the Treaty on 10 March 2006.

<i>State</i>	<i>Date/period</i>	<i>Activities and context</i>	<i>Comments</i>
Finland	August 2005-May 2006	In its contacts with those Annex 2 States that have not yet signed and/or ratified, Finland has continued to stress the importance of the early entry into force of the Treaty.	
France	August 2005-May 2006	France conducted regular discussions with Annex 2 States that have not yet signed and/or ratified the Treaty. In those discussions, France seized every opportunity to stress the importance France attaches to entry into force of the Treaty. Such bilateral démarches were, for instance, carried out with Egypt and Viet Nam .	
Germany	October-December 2005	Germany conducted diplomatic démarches in China, Colombia, the Democratic People's Republic of Korea, Egypt, Indonesia, Israel and Pakistan , stressing the importance it attaches to the Treaty, and called upon those States to sign and/or ratify it.	
Japan	August 2005-May 2006 March 2006	In bilateral consultations, Japan urged those Annex 2 States which have not yet ratified the Treaty, such as China and the United States of America , to do so at the earliest opportunity. Japan invited three Government officials from Viet Nam , prior to the ratification of the Treaty by that country, to visit International Monitoring System facilities and exchange views with relevant parties in Japan.	
Latvia	August 2005-May 2006	Latvia continued its efforts to promote the universalization of the Treaty through bilateral contacts with Annex 2 States .	

State	Date/period	Activities and context	Comments
Lithuania	August 2005-May 2006	During bilateral meetings, Lithuania used every opportunity to urge States that have not yet signed and/or ratified the Treaty (including Annex 2 States) to do so.	
Morocco	August 2005-May 2006	Morocco seized every opportunity to urge all Annex 2 States that have yet to sign and/or ratify the Treaty to do so, thus bridging an important gap in the international nuclear non-proliferation and disarmament regime.	
Netherlands	August 2005-May 2006	The former Ambassador of the Netherlands in Vienna was appointed as the Article XIV Conference Special Representative to assist the Article XIV Conference coordinating State in promoting early entry into force of the Treaty, including Annex 2 States . The activities of the Article XIV Conference Special Representative, whose term was extended to September 2007, are sponsored by the Netherlands.	
	August 2005-May 2006	The Netherlands underlined to Annex 2 States , on several bilateral occasions, the importance of the Treaty and promoted its early entry into force. For instance, the Prime Minister of the Netherlands stressed during his visit to Indonesia on 7 and 8 April 2006, the importance of the Treaty.	
Norway	August 2005-May 2006	Norway has continued its efforts to promote the universalization of the Treaty through bilateral contacts, public statements and joint declarations .	
Russian Federation	January 2006	In close collaboration with the Article XIV Coordinator and the Article XIV Conference Special Representative, the Russian Federation made démarches to urge Indonesia and Viet Nam to ratify the Treaty as early as possible.	

<i>State</i>	<i>Date period</i>	<i>Activities and context</i>	<i>Comments</i>
United Kingdom of Great Britain and Northern Ireland	30 March 2006	The Ministry of Foreign Affairs of the Russian Federation issued a press release, in connection with the ratification of the Treaty by Viet Nam, underlining the need for the international community to further support it and calling upon those States (including Annex 2 States) that have yet to sign and/or ratify the Treaty to do so without delay.	
	August 2005-May 2006	The United Kingdom maintained regular bilateral contacts with all Annex 2 States , and continued to take every suitable opportunity in such contacts to promote the Treaty and to stress the importance the United Kingdom attaches to its early entry into force, e.g. most recently the United Kingdom conducted a bilateral démarche with Indonesia to encourage Indonesia to ratify the Treaty.	

State	Date period	Activities and content	Comments
1. Bilateral level			
1 (b). Activities relating to non-Annex 2 States			
Australia	August 2005-May 2006	The Australian Minister for Foreign Affairs wrote to his counterparts in Brunei Darussalam, Malaysia, the Marshall Islands, Myanmar, Niue, Palau, Papua New Guinea, the Solomon Islands, Thailand, Timor-Leste, Tonga and Tuvalu to encourage ratification of the Treaty at the earliest opportunity.	Australian Missions in these countries are following up on the letters.
	25-28 October 2005	In its capacity as Article XIV Coordinator, Australia played a key role in facilitating the Article XIV Conference Special Representative's attendance at the Pacific Islands Forum meeting held in Port Moresby, in order to encourage those Forum members (the Marshall Islands, Niue, Palau, Papua New Guinea, the Solomon Islands, Tonga and Tuvalu) and observer (Timor-Leste) that have not yet ratified the Treaty to do so as soon as possible.	
	8-11 February 2006	In its capacity as Article XIV Coordinator, Australia played a key role in facilitating the Article XIV Conference Special Representative's attendance at the Caribbean Community (CARICOM) meeting held in Port of Spain, in order to encourage those CARICOM members (Bahamas, Barbados, Dominica, Saint Vincent and the Grenadines and Trinidad and Tobago) and the Dominican Republic that have not yet signed/ratified the Treaty to do so as soon as possible.	The Australian High Commissioner in Port of Spain, who is accredited to the members of CARICOM, is following up with non-ratifying States to urge them to do so as soon as possible.

State	Date period	Activities and context	Comments
Austria	21-23 September 2005	In its capacity as Article XIV Coordinator, Austria supported the Article XIV Conference Special Representative by arranging, on the margins of the Article XIV Conference, appointments with 11 non-Annex-2 States that have yet to ratify the Treaty.	
	22 April 2006	The State Secretary of the Austrian Ministry of Foreign Affairs stressed the importance of entry into force of the Treaty with Armenia on the occasion of the EU Troika-Armenia Ministerial Meeting.	
	15 May 2006	Austria stressed the importance of entry into force of the Treaty at the Gulf Cooperation Council Meeting .	
Canada	September 2005	Canada's Minister for Foreign Affairs wrote letters to his counterparts in those non-Annex-2 States that have yet to ratify the Treaty, urging their Governments to do so as soon as possible.	
France	August 2005-May 2006	France conducted regular discussions with non-Annex-2 States that have not yet signed and/or ratified the Treaty. In those discussions, France seized every opportunity to stress the importance it attaches to entry into force of the Treaty. Such bilateral démarches were, for instance, carried out with Burundi, Cameroon,^d Cape Verde,^e the Central African Republic, Chad, Dominica, Equatorial Guinea, Guinea, Guinea-Bissau, Lebanon, Mauritius, the Republic of Moldova and Sao Tomé and Príncipe .	
Latvia	August 2005-May 2006	Latvia continued its efforts to promote the universalization of the Treaty through bilateral contacts with non-Annex-2 States .	

^d Cameroon ratified on 6 February 2006^e Cape Verde ratified on 1 March 2006

State	Date period	Activities and context	Comments
Lithuania	August 2005-May 2006	During bilateral meetings, Lithuania used every opportunity to urge States that have not yet signed and/or ratified the Treaty (including non-Annex-2 States) to do so.	
Morocco	August 2005-May 2006	Morocco seized every opportunity to urge all non-Annex-2 States that have yet to sign and/or ratify the Treaty to do so, thus bridging an important gap in the international nuclear non-proliferation and disarmament regime.	
Netherlands	August 2005-May 2006	The former Ambassador of the Netherlands in Vienna was appointed as the Article XIV Conference Special Representative to assist the Article XIV Conference coordinating State in promoting early entry into force of the Treaty. The activities of the Article XIV Conference Special Representative, whose term was extended to September 2007, are sponsored by the Netherlands and include outreach to non-Annex-2 States .	
	August 2005-May 2006	The Netherlands underlined to non-Annex-2 States , on several bilateral occasions, the importance of the Treaty and promoted its early entry into force.	
Norway	August 2005-May 2006	Norway has continued its efforts to promote the universalization of the Treaty through bilateral contacts, public statements and joint declarations .	
Russian Federation	January 2006	The Russian Federation, in close collaboration with the Article XIV Coordinator and Article XIV Conference Special Representative, made démarches to urge Cuba to ratify the Treaty as early as possible.	

State	Date/period	Activities and context	Comments
	30 March 2006	The Ministry of Foreign Affairs of the Russian Federation issued a press release in connection with the ratification of the Treaty by Viet Nam, underlining the need for the international community to further support the Treaty and calling upon those States that have yet to sign and/or ratify it to do so without delay.	
United Kingdom of Great Britain and Northern Ireland	August 2005-May 2006	The United Kingdom maintained regular bilateral contacts with all non-Annex-2 States , and continued to take every suitable opportunity to promote the Treaty and its universalization in such contacts.	
2. Multilateral level			
2 (a). Global			
Australia	21-23 September 2005	In its capacity as Article XIV Coordinator, Australia led the preparations of, and chaired the 2005 Article XIV Conference, held in New York.	The Conference was attended by a record number of 117 States, which demonstrated the continuing widespread international commitment to the Treaty. The declaration of the Conference emphasized the importance of the Treaty as a vital non-proliferation and disarmament instrument and called upon all States (especially Annex 2 States) that have not yet done so, to ratify it as soon as possible.
	21-23 September 2005	In its capacity as Article XIV Coordinator, Australia supported the Article XIV Conference Special Representative by arranging, on the margins of the Article XIV Conference, appointments with 13 non-ratifying States, including China and Viet Nam .	

<i>State</i>	<i>Date period</i>	<i>Activities and context</i>	<i>Comments</i>
	8 December 2005	Australia voted in favour of the draft resolution entitled <i>Comprehensive Nuclear-Test-Ban Treaty</i> , ^f adopted as General Assembly resolution 60/95. ^g	
Brazil	8 December 2005	Brazil voted in favour of the draft resolution entitled <i>Comprehensive Nuclear-Test-Ban Treaty</i> , adopted as General Assembly resolution 60/95.	
Canada	September 2005	Canada and other States successfully lobbied for the addition of a new measure to the Final Declaration of the 2005 Article XIV Conference, which urged Annex 2 States to consider ratifying the Treaty in a coordinated manner as a confidence-building measure in regions of tension.	
	8 December 2005	Canada sponsored the draft resolution entitled <i>Comprehensive Nuclear-Test-Ban Treaty</i> , which was adopted as General Assembly resolution 60/95.	
	8 December 2005	Canada voted in favour of the draft resolution entitled <i>Renewed determination towards the total elimination of nuclear weapons</i> . The resolution, which calls for early ratification of the Treaty by all States that have not yet ratified it, was adopted as General Assembly resolution 60/65. ^h	

^f Titles of resolutions are in italics.

^g There were four abstentions (Colombia, India, Mauritius and the Syrian Arab Republic) and one vote against (the United States).

^h There were seven abstentions (Bhutan, China, Cuba, the Democratic People's Republic of Korea, Israel, Myanmar and Pakistan) and two votes against (India and the United States).

State	Date period	Activities and context	Comments
	8 December 2005	Canada voted in favour of the draft resolution entitled <i>Towards a nuclear-weapon-free world: accelerating the implementation of nuclear disarmament commitments</i> . It calls for early ratification of the Treaty by all States that have not yet ratified it, and was adopted by the General Assembly (resolution 60/56). ¹	
Finland	August 2005-May 2006	In relevant multilateral forums , Finland has continued to stress the importance of the early entry into force of the Treaty.	
	21-23 September 2006	In its capacity as outgoing Article XIV Coordinator, Finland presented a progress report on cooperation to facilitate entry into force of the Treaty at the 2005 Article XIV Conference held in New York.	
France	August 2005-May 2006	In relevant multilateral forums (e.g., United Nations, Conference on Disarmament), France seized every opportunity to promote entry into force of the Treaty.	
Japan	21-23 September 2005	Japan sent a high-level representative to the Article XIV Conference held in New York, and called upon all States which have not yet signed or ratified the Treaty for early ratification.	

¹ There were twenty abstentions (Albania, Australia, Belarus, Bhutan, Estonia, Georgia, Greece, Hungary, Latvia, Micronesia (Federated States of), Pakistan, Palau, Poland, Portugal, Romania, the Russian Federation, Saint Kitts and Nevis, Slovenia, Spain and the former Yugoslav Republic of Macedonia) and five votes against (France, India, Israel, the United Kingdom and the United States). Prior to the vote on the whole text of the resolution, operative paragraph 4 was put to a separate vote and was retained by 158 votes to two (India and Israel), with eleven abstentions (Australia, Bhutan, Cameroon, France, Jamaica, the Marshall Islands, Mauritius, Micronesia (Federated States of), Pakistan, the United Kingdom and the United States).

State	Date period	Activities and context	Comments
	8 December 2005	Japan submitted the draft resolution entitled <i>Renewed determination towards the total elimination of nuclear weapons</i> . It calls for early ratification of the Treaty by all States that have not yet signed or ratified it, and was adopted by the General Assembly as resolution 60/65.	
Latvia	August 2005-May 2006	Latvia has continued its efforts to promote the universalization of the Treaty through public statements and joint declarations .	
Lithuania	August 2005-May 2006	In relevant international forums , Lithuania urged States that have not yet signed and/or ratified the Treaty to do so.	
Morocco	21-23 September 2005	At the 2005 Article XIV Conference , Morocco reiterated through its Minister for Foreign Affairs its confidence in multilateral disarmament and non-proliferation instruments and called on those States that have yet to sign and/or ratify the Treaty to do so at the earliest opportunity.	
	8 December 2005	Morocco voted in favour of the draft resolution entitled <i>Comprehensive Nuclear-Test-Ban Treaty</i> , adopted by the General Assembly as resolution 60/95.	
	August 2005-May 2006	Morocco regularly participated in the meetings of the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization and its subsidiary bodies as well as in consultations aimed at promoting the Treaty's entry into force.	
	August 2005-May 2006	Morocco fully cooperated with the Provisional Technical Secretariat in carrying out necessary technical work and subsequent certification at the Midelt auxiliary seismic station.	

<i>State</i>	<i>Date/period</i>	<i>Activities and context</i>	<i>Comments</i>
Netherlands	21-23 September 2005	The Netherlands co-sponsored a seminar organized by the British non-governmental organization, the Verification Research Training and Information Centre, on the technical as well as political aspects of the Treaty, on the margins of the 2005 Article XIV Conference .	
	August 2005-May 2006	The Netherlands underlined, on several multilateral occasions , the importance of the Treaty and promoted its early entry into force. For instance, the Minister for Foreign Affairs of the Netherlands requested during the 2005 Article XIV Conference , that the international community "continue to invest in the Treaty and redouble our efforts to promote its entry into force".	
	August 2005-May 2006	The Netherlands has made funds available to organize information visit programmes and national seminars for experts from States in the African region, Latin America and the Caribbean region and the South-East Asian Pacific and Far-East region.	
Norway	August 2005-May 2006	Norway has continued its efforts to promote the universalization of the Treaty through public statements and joint declarations .	
Republic of Korea	21-23 September 2005	The Republic of Korea participated in the Article XIV Conference , held in New York, and adopted its final declaration and measures to promote entry into force of the Treaty.	
Russian Federation	August 2005-May 2006	The Russian Federation supports the initiative to hold the Third Meeting of Treaty Friends in September 2006 in New York.	
Turkey	21-23 September 2005	The Deputy Prime Minister and Minister for Foreign Affairs of Turkey attended and addressed the 2005 Article XIV Conference .	

<i>State</i>	<i>Date period</i>	<i>Activities and context</i>	<i>Comments</i>
	8 December 2005	Turkey voted in favour of the draft resolution entitled <i>Comprehensive Nuclear-Test-Ban Treaty</i> , adopted by the General Assembly as resolution 60/95.	
	8 December 2005	Turkey voted in favour of the draft resolution entitled <i>Renewed determination towards the total elimination of nuclear weapons</i> , adopted by the General Assembly as resolution 60/95.	
United Kingdom of Great Britain and Northern Ireland	21-23 September 2005	The United Kingdom delivered a statement on behalf of the European Union at the 2005 Article XIV Conference emphasizing the utmost importance the European Union attaches to the earliest possible entry into force of the Treaty.	
2. Multilateral level			
2 (b). Regional			
Australia	23 March 2006	In its capacity as Article XIV Coordinator, Australia provided assistance to the Article XIV Conference Special Representative for his visit to Brussels to discuss with the European Commission issues related to the progress towards the entry into force of the Treaty.	
Brazil	August 2005-May 2006	During its periodical consultations on disarmament and non-proliferation with the European Union Troika, Brazil discussed measures to promote entry into force of the Treaty.	
Czech Republic	November 2005	The Czech Republic made a voluntary contribution to the Preparatory Commission of the Comprehensive Nuclear-Test-Ban Treaty Organization of an equivalent of CZK 450,000 (€15,000) devoted to the promotion of the objectives of the Treaty.	

<i>State</i>	<i>Date/period</i>	<i>Activities and context</i>	<i>Comments</i>
Canada	December 2005	Canada agreed to assist Australia, the Coordinating State of the Article XIV Conference, in arranging meetings for the Article XIV Conference Special Representative to promote entry into force of the Treaty in Africa and Latin America.	
France	August 2005-May 2006	Within the framework of the European Union, France supported all initiatives aimed at promoting entry into force of the Treaty.	
Japan	October 2005	Japan invited 12 experts from developing countries, including those which have not yet ratified the Treaty, to a Global Seismological Observation Training Course , as part of Japan's efforts to promote its entry into force.	
Lithuania	August 2005-May 2006	As a member of the European Union, Lithuania backed the European Union Council Joint Action on support for activities of the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization in the area of training and capacity-building and in the framework of the implementation of the European Union Strategy against Proliferation of Weapons of Mass Destruction.	
Norway	August 2005-May 2006	Norway has continued its efforts to promote the universalization of the Treaty through public statements and joint declarations .	
Republic of Korea	18-20 October 2005	The Republic of Korea hosted a Workshop on Comprehensive Nuclear-Test-Ban Treaty Organization International Cooperation for States in the SEAPFE region , in order to promote ratification of the Treaty in the region.	
United Kingdom of Great Britain and Northern Ireland	August 2005-May 2006	The United Kingdom supported all multilateral efforts by the European Union to promote the universalization of the Treaty.	



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Crime prevention and criminal justice

African Institute for the Prevention of Crime and the Treatment of Offenders

Report of the Secretary-General

Summary

In accordance with General Assembly resolution 60/176 of 16 December 2005, the present report describes the operations of the African Institute for the Prevention of Crime and the Treatment of Offenders, including the substantive programme and activities it has developed to support the countries of the region in the area of crime prevention and criminal justice. The report discusses the governance and management of the Institute; describes measures taken to initiate and maintain international cooperation and partnerships with other agencies; and indicates further opportunities for funding and support. It also addresses the future of the Institute as a unique regional promoter of social-economic development through crime prevention initiatives and includes a set of conclusions and recommendations, including practical measures aimed at ensuring the sustainability of the Institute.

* A/61/150



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I. Introduction

1. The present report has been prepared pursuant to General Assembly resolution 60/176 of 16 December 2005. It focuses on the activities, operations and funding of the African Institute for the Prevention of Crime and the Treatment of Offenders and provides an overview of the Institute's activities aimed at raising awareness about and promoting adherence of member States to the relevant international conventions related to crime prevention and criminal justice. All these measures are aimed at promoting sustainable socio-economic development in the region.

2. Despite ongoing development initiatives and the availability of natural resources, the African continent continues to suffer from low levels of production and limited opportunities for creation of wealth, high population growth, widespread illiteracy, disease, poverty, famine, unemployment and inadequate access to social services. That situation is aggravated by deficiencies in governance, civil conflicts and devastating natural disasters, which subvert the capacity of Governments to invest in sustainable crime prevention and development projects, aimed at strengthening capacity in law enforcement, maintaining social order and streamlining structures for an effective administration of justice—a scenario that weakens the capacity for crime prevention even further. The perpetuation of civil conflicts has been a major factor in the proliferation of crime through unabated violations of human rights and illegal exploitation of natural resources in conflict zones, which in turn fuel further criminal activity, leading to a situation of insecurity in the country concerned and in neighbouring countries and compromising efforts towards harmonious socio-economic development of the region.

3. Events around the turn of the twenty-first century have led to an enhanced level of collaboration among Governments leading to regional cooperation, integration and globalization. In Africa, that momentum resulted in the birth of the African Union, which succeeded the Organization of African Unity, and led to calls for collective action and general thematic solutions to common threats, such as crime, insecurity, gender inequality, uneven social development and environmental degradation, and for the integration of Africa into global networks. It also led to other initiatives, including the development of the New Partnership for Africa's Development and action taken by the European Union and the Group of Eight.

4. The African region is gaining a greater awareness of its interdependence with the rest of the world, in particular when addressing issues of collective concern such as crime. The African Union thus bases its activities on the implementation of the Millennium Development Goals and the commitment of individual countries to cooperate for the promotion of a culture of peace, stability, security, democracy, constitutionalism and sustainable social development. In that connection, recognition has emerged of the doctrine of good governance, based on the rule of law and democratic institutions, which is a prerequisite for the operation of effective crime prevention systems. Key in that respect is the promotion of a strong civil society, including the private sector, as an essential partner in ensuring the provision of social services. Based on their relevance, Africa's traditional value systems of social control and administration of criminal justice have been systematically incorporated into effective practices for crime prevention and criminal justice.

5. Crime prevention is a complex concept, in particular as regards new trends in transnational organized crime and corruption. Policy decisions regarding possible sustainable solutions include a combination of responses ranging from local resource persons to experts, synergizing the views of intellectuals, political leaders, civil society, the public sector and the media in order to generate a comprehensive and integrated approach. The Institute has a unique role to play in that context. It aims to overcome barriers among States, fosters exchanges between Governments and the strengthening of networking opportunities, and calls for the pooling of available resources, forming effective partnerships for common solutions, as well as reflecting the general desire of countries to share what has been learned from their own experience and to benefit from the initiatives taken and/or best practices followed in other settings.

6. During the period under review, the Institute continued to receive political support from its member States, its Governing Board, the Commission on Crime Prevention and Criminal Justice, the Economic Commission for Africa (ECA), the General Assembly, the African Union, the United Nations Office on Drugs and Crime (UNODC) and other interested parties, including the private and civil sectors. The support and assistance received, including through partnerships with donor Governments and agencies, have enabled the Institute to offer technical assistance to its member States and to participate in a number of important activities.

7. Budgetary limitations, reflecting the difficulties of many member States to fulfil their financial obligations to the Institute, continued to hinder the full implementation of the programmes of the Institute. However, the growing concern of Governments of the region about the impact of crime on their development initiatives has given prominence to the need for concerted action and improved the level of response to the Institute's campaign to promote awareness by its constituents to specific programmes and activities with the objective of mobilizing financial support to boost the capacity of the Institute in providing services to the countries of the region.

II. Governance and management of the Institute

A. Governing Board

8. The Institute's efforts to convene the tenth session of its Governing Board, which the Libyan Arab Jamahiriya had offered to host in Tripoli, have been undermined by financial difficulties causing a lack of logistical support. A series of consultative meetings were held with the Libyan envoy, representing the Chairman of the Board, and the Libyan representation in Kampala in order to discuss arrangements for the substantive session.

9. The decisions taken by the Governing Board at its ninth session, held in Kampala from 21 to 22 June 2004, have led to a number of follow-up measures, endorsed by the envoys of the States members of the Board resident in Kampala and supported by their respective capitals and representatives at the African Union and the General Assembly of the United Nations. The decisions of the Board have also remained at the core of the impetus to sustain the programme of activities and to gain crucial support from the member States and related agencies.

10. At its ninth session, the Board had urged member States to meet their financial responsibilities towards the Institute. Pursuant to that request, the Director of the Institute met the government authorities of the Libyan Arab Jamahiriya and the Democratic Republic of the Congo and held meetings with the envoys of Algeria, Burundi, the Democratic Republic of the Congo, Egypt, Ethiopia, Kenya, the Libyan Arab Jamahiriya, Nigeria, Rwanda, South Africa, the Sudan and the United Republic of Tanzania, with the aim of mobilizing support. Negotiations are ongoing with the Governments of Mali and South Africa, which have expressed interest in becoming member States. The Chairman of the Board also continued his intensive contacts with member States, reminding Governments of their financial obligations. As a result, a number of countries, including the Libyan Arab Jamahiriya, Mozambique, Nigeria, the Republic of the Congo, Tunisia, Uganda and the United Republic of Tanzania have remitted their contributions. The Chairman will continue to lead the mobilization drive.

11. The Institute was also requested by the Governing Board to explore means of mobilizing further support for its programmes from non-traditional sources such as the private sector. Interest has been expressed by corporate entities in promoting crime prevention programmes that enhance their operations in the region and create the necessary environment to support their investments. In that context, the Institute has approached the banking and manufacturing sectors in Kampala and tertiary institutions such as universities and colleges to start a pilot programme on cybercrime. Another project concerning scams in the Internet (CyberWatch) has been discussed with the African Development Bank and is under consideration. Similarly, the United Nations Children's Fund (UNICEF) has indicated interest in collaborating with the Institute on a pilot programme addressing examination malpractices in schools (ExamWatch), which is also expected to generate interest from civil society and other agencies.

12. Concerned about the persistently low level of inflow of financial remittances, the Governing Board had proposed that a review of the need for the Institute be undertaken among the member States to gauge their expectations, goals and capacity to sustain the Institute. The matter is expected to be discussed in detail during the tenth session of the Board.

B. General direction and management

13. On the recommendation of the Governing Board, the Institute has strengthened cooperation with other members of the United Nations Crime Prevention and Criminal Justice Programme network of institutes. At the regional level, the Institute has made proposals to agencies and crime prevention institutes of universities, human rights organizations and civic organizations to collaborate by forming a network of institutes for Africa in order to develop and enhance local initiatives to address problems afflicting the continent. The proposal has received support from a number of agencies, including the Institute for Security Studies.

14. The Institute continued to enjoy support from the host country, whose collaborative efforts in the pilot projects initiated in the country have strengthened prospects of replicating them on a wider scale in the region. The host Government also continued to offer valuable assistance, guidance and political support to the

Institute in setting the pace for mobilization of further support from the donor community and other agencies.

15. The Institute worked to consolidate its collaboration with a network of partnerships in the region involving law enforcement authorities, legislators, correctional and human rights agencies and policymakers. It has provided technical assistance in improving inter-agency cooperation and developing mutually reinforcing mechanisms to strengthen the capacity of Governments in addressing emerging international crime-related issues. As a result, the flow of crime statistics and exchange of other data from police authorities in the region has increased. The Institute continued to receive regular reports from law enforcement agencies and national prison authorities, including those in Botswana, Ghana, Kenya, Seychelles, South Africa and Uganda. It is developing a databank with a view to monitoring crime trends in the region and also to building the capacity of criminal justice system personnel and to disseminating information, in particular on best practices.

16. The Institute's programme of visits to capitals continued to form an important basis for the emerging drive to increase the awareness of Governments to the needs of the countries concerned as regards promotion of stable and viable criminal justice systems. Through increased dialogue there is a rising demand by Governments for intervention at the bilateral or multilateral levels to enhance their ability to combat the growing threat of transnational organized crime through strengthened regional cooperation, including the translation of international conventions and protocols into national legislation. Arrangements are being worked out with the authorities in the Democratic Republic of the Congo, Rwanda and the United Republic of Tanzania in that respect. However, financial limitations have severely restricted such visits by the Institute, which now focuses on strengthening contacts with the Group of African States at Headquarters through increased collaboration with the Ministry of Foreign Affairs in Kampala and the Permanent Mission of Uganda to the United Nations with a view to consulting with the respective Governments.

17. Notwithstanding these constraints, the Institute continued to improve its ability to offer the required services to its member States in accordance with their needs. Responding to the increased call for technical assistance, especially in the area of traditional and local strategies of crime prevention and criminal justice, the Institute has designed suitable proposals, stressing the importance of available local resources and using innovative approaches that take into consideration historical socio-economic realities and the need to apply the relevant international instruments. At the regional level, that has made it necessary to focus on common factors that have a positive impact on the process of social change and to encourage a review of penal and legal systems with a view to harmonizing and strengthening the criminal justice systems in the region. As a result, the Institute has been identified by several agencies, including UNODC, as a key partner in promoting activities tailored to regional needs in data collection, analysis, training and the dissemination of information, aimed at strengthening law enforcement, the rule of law and the prevention of conventional crimes as well as the implementation of international instruments to control drug abuse, corruption and transnational organized crime, including trafficking in persons and in firearms.

III. Substantive programmes and activities

A. Overview

18. Insecurity, conflict, poverty, natural disasters and the soaring incidence of crime have a crippling effect on the process of social development, which underscores the significance of the programmes and activities of the Institute. All development partners, including the United Nations, the African Union and the European Union are concerned about the connection between development and crime. With the increased collaboration among agencies and the understanding on the part of Governments that crime prevention is a process involving a comprehensive package of strategies derived from several partners, the setting for social networks to address crime is slowly being put in place. In that context, it is noteworthy that the Institute encourages its member States to participate in relevant regional initiatives, such as the New Partnership for Africa's Development, the Intergovernmental Authority on Development (IGAD), the Southern African Development Community (SADC), the East African Community (EAC), the Economic Commission for West Africa (ECOWAS) and the Meetings of Heads of National Drug Law Enforcement Agencies, and to implement their recommendations.

19. The Institute constantly highlights the appropriateness of the regional approach to problems of crime prevention and criminal justice and mobilizes the potential for harmonious growth through the promotion of active cooperation among Governments, academic institutions and experts. In that respect, a staff exchange programme between the Institute and a number of universities has been initiated; an exchange with the University of Ghana is being discussed; the exchange with Makerere University in Kampala is on course; and the exchange with North Carolina Central University in the United States of America started in June 2006 with the visit to the Institute of a team of experts to discuss the following issues: (a) promotion of exchange of best practices; (b) provision of technical assistance to strengthen crime prevention systems; and (c) provision of technical expertise and development of capacity in crime prevention, including the possibility of staff exchange programmes for students and officers.

20. Recognizing the special social challenges of countries facing civil conflict and political struggle, the Institute has developed proposals to address the human rights situation and the establishment of structures to foster crime prevention and the consolidation of peace through the development of reconciliation programmes for such countries. In that respect, contacts have been made with Burundi, the Democratic Republic of Congo and Rwanda and efforts are being made to reach the Somali authorities. The Institute has appealed to relevant agencies and member States to obtain the necessary human and material resources to facilitate the implementation of such initiatives.

B. Project activities

21. During the period under review, the projects described below were developed and/or implemented:

1. CyberWatch project

22. The Institute has developed a study, in conjunction with the commercial sector, the banking and tertiary institutions, to explore the extent of the effects of the emerging scams on the Internet, which pose a new challenge to the legitimate use of that medium, in particular for financial transactions. The African Development Bank is considering co-funding the implementation of the study. The project, which would first be implemented in Uganda and then replicated in the region, includes information campaigns for potential victims of the scams and the establishment of contacts with relevant legislative and law enforcement authorities at the national and regional levels to raise awareness, as well as to identify and prosecute those perpetrating the scams.

2. ExamWatch project

23. In response to concerns of authorities in the region, the Institute has developed a project to curb examination malpractices in educational institutions, which have a severe impact on the overall performance of various sectors of public service as they foster corruption and fraud in society. The project has generated interest among schools and institutions of higher learning, as well as other agencies, including UNICEF, religious and civic organizations and local employers' federations. It is considered an ideal project to attract support from non-traditional sources as it concerns society at large.

3. Transnational trafficking in persons in Nigeria

24. A joint project developed by the Institute together with the Government of Nigeria to curb transnational trafficking in human beings was launched in June 2006 with the financial and logistical support of the authorities. The widespread problem of trafficking in human beings has devastating consequences in the region. The project offers an opportunity to promote the ratification by other countries in the region of the United Nations Convention against Transnational Organized Crime and its Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (General Assembly resolution 55/25, annexes I and II, respectively). The project follows a similar project implemented in Uganda and is also based on the findings of the United Nations survey on kidnapping.

4. Curbing clandestine immigration to the Libyan Arab Jamahiriya

25. Following a request by the Government of the Libyan Arab Jamahiriya for technical assistance to address clandestine immigration, a project proposal was developed. A preliminary consultative mission clarified that the problem of immigration to the Libyan Arab Jamahiriya is a regional phenomenon requiring full participation of neighbouring countries.

5. Factors causing recidivism in Uganda

26. The Institute's collaboration with the Government of Uganda has led to a number of proposals for national action plans to strengthen the justice system and the administration of correctional services. Following the project on social work in prisons, a new study on the factors causing recidivism is expected to have a cost-effective impact (by diminishing prison management costs) as well as a

preventive one. Available information indicates that, while the maximum capacity of government prisons in Uganda was 9,094 inmates, the population had risen to 18,659 in 2005, of whom 40 per cent were recidivists. This seems to reflect the overall situation in the region, causing prison overcrowding and having a negative effect on health conditions in prisons. A training workshop on reconciliation, rehabilitation and reintegration for welfare officers of the Uganda Prison Service was organized in May 2006.

6. Evaluation study of alternative dispute resolution in Rwanda

27. The overwhelming number of suspects awaiting trial in the post-genocide era in Rwanda has necessitated the use of practical initiatives based on socio-economic realities and respectful of cultural sensitivities. As part of its programme to develop innovative projects meeting the needs of member States with limited criminal justice capacity, the Institute has developed a study to evaluate the effectiveness of the criminal justice system in Rwanda with particular reference to the traditional system of administration of justice, the *gacaca* system. Preliminary contacts have been made with the authorities in Kigali and follow-up negotiations are being pursued with the envoy of Rwanda in Kampala. The findings of the study will be used to support the integration of African traditional value systems into the administration of conventional criminal justice systems. Authorities of neighbouring countries have already expressed interest in the project. Given its importance for the social rehabilitation and reintegration of offenders, it is expected that international agencies and other regions emerging from ethnic and political tensions will also be interested in the outcome of the study.

7. Country profile project

28. Effective crime prevention strategies are benefiting increasingly from the availability and use of reliable criminal statistics. The Institute's initiative to establish a database on criminal statistics, already referred to, offers the African region, in particular the law enforcement and policymaking authorities, a useful tool for promotion of information exchange and sharing of best practices. The authorities of the region are increasingly willing to respond to the Institute's requests and proposals for exchange of statistics and the number of reports providing national statistics and feeding the database is growing. It is hoped that funding will become available to post the statistics online, as this would increase accessibility. The project will advance the Institute's capacity to participate in international crime prevention programmes as a source of legitimate crime statistics from the African region.

8. Crime Prevention Journal

29. The Institute has developed a project to publish, on a regular basis, a compilation of research-based reports addressing crime patterns and prevention measures. The journal will provide Governments with information on strategies to fight crime and on crime patterns prevalent in their region, will foster collaboration with publishing houses and authors and resource persons in research-based institutions related to crime prevention and will extend the base of contacts for the Institute in the promotion of its activities.

9. Effective cooperation between the Institute and its partners

30. Contacts have been made with the American Institutes for Research in Washington, D.C., to develop joint research activities, especially in the fields of human resource development, capacity-building in law enforcement and juvenile justice and the dissemination of best practices through the use of modern and/or conventional technological media in the current communication era. Through the subregional bureau of the International Criminal Police Organization (Interpol) in Nairobi and the Eastern Africa Police Chiefs Cooperation Organization (EAPCCO), the Institute is consolidating inter-agency cooperation in crime prevention. This has improved the exchange of relevant information, in particular crime data, especially for agencies that have online reporting capacities. It is hoped that through increased contacts with the American Institutes for Research, the regional bureaux of Interpol, regional police authorities and UNODC, the Institute will succeed in obtaining technical assistance to overcome difficulties faced by the region in gaining access to online communication facilities. The Institute is also exploring opportunities for collaboration with the National Planning Authority of Uganda, which is a member of a new regional mechanism for the establishment of legislative controls and the reform of legislation regarding the operationalization of information use and storage by means of wireless transmission. The initiative is considered vital in efforts to control cybercrime and to combat the abuse of electronic communication and will promote the ongoing efforts of the Institute to raise awareness and foster the development of a policy regarding cybercrime.

31. The Institute is also consolidating its cooperation with the mass media in order to enhance publicity and is identifying possibilities of joint collaboration with other agencies on issues of common interest. Endowed with online facilities for effective local, regional and international coverage, the media have correspondence sections that cover crime, human rights and criminal justice issues in their substantive publications, which assists in broadening opportunities for dissemination of information and partnerships with the private sector.

10. Extradition and mutual legal assistance

32. Efforts are continuing to finalize the extradition and mutual legal assistance project, which is expected to assist in the process of harmonizing legislation and promoting a consensus in the development of regional instruments. A meeting of experts and ministers is planned to discuss the draft convention on mutual legal assistance for subsequent consideration by the appropriate organ of the African Union, including the African Union Summit.

11. Criminalistics project

33. Together with the Government of Uganda, the Institute has developed a project to improve the capacity of law enforcement agencies in detecting, investigating and streamlining the prosecution of crime through the use of available local expertise, equipment and scientific analysis of data in hospitals, universities, research institutions and other agencies. The regional offices of Interpol and EAPCCO, together with the Belgian embassy in Kampala, have indicated their interest in collaborating with the Government of Uganda and the Institute to implement the project, which at a later stage is expected to be replicated elsewhere in the region.

IV. International cooperation and partnerships

34. As mentioned above, the Institute maintains close cooperation with UNODC and the United Nations Crime Prevention and Criminal Justice Programme network, whose programmes form an important component of the Institute's activities in the African region. The Institute participated in the Round Table for Africa, organized by the Government of Nigeria and UNODC in Abuja in September 2005, which resulted in the Programme of Action for Africa, 2006-2010, a set of strategic measures to assist the African region with the development of capacity to fight crime. The Institute represents the region in a project entitled "Data for Africa" designed to assist Africa with the promotion of mechanisms for the collection of data that are needed for policymaking purposes. The Institute's involvement will include establishing a network of African experts on drug and crime statistics. A focal point in each African country will be identified among government officials, researchers or practitioners who are familiar with drug, crime and criminal justice data and have relevant contacts in order to promote the collection, analysis and dissemination of information, in line with cluster VI of the Programme of Action.

35. As illustrated, the Institute also maintains close cooperation with the African Union and other regional bodies and initiatives such as the New Partnership for Africa's Development, ECA, EAC, ECOWAS, SADC, and IGAD in an effort to promote regional cooperation as an effective approach to removing impediments to crime prevention initiatives. The Institute continued to participate in various meetings and conferences at the subregional, regional and international levels and further explored prospects for cooperation and new partnerships.

V. Funding and support

36. The total resources of the Institute for the biennium 2004-2005 amounted to \$833,520.78. The funds were derived from: (a) assessed contributions of member States, amounting to \$260,881.64 (31 per cent); (b) the 2004-2005 United Nations grant of \$380,300 (46 per cent); and (c) other income received from rental of the Institute premises and facilities as well as interest on deposits, amounting to \$192,348.92 (23 per cent).

37. For the period from January to June 2006, the total resources of the Institute amounted to \$568,247.01, consisting of: (a) assessed contributions from member States (\$406,360.89); (b) the six-month allotment received on the 2006-2007 United Nations grant (\$135,200) (the approved appropriation for 2006-2007 is \$380,300); and (c) other income received from the rental of Institute premises and interest on deposits from January to June 2006 (\$26,886.12).

A. Assessed financial contributions of member States

38. During the reporting period, the Institute was able to collect \$667,242.53, made possible following payments by the following member States: Gambia (\$4,122); Libyan Arab Jamahiriya (\$28,944.50); Mozambique (\$8,093); Nigeria (\$390,961.60); Republic of the Congo (\$67,249); Senegal (\$37,444.28); Tunisia (\$68,873.50); Uganda (\$26,424.19); and United Republic of Tanzania (\$35,130.46).

Although the Institute stepped up its fund-raising campaigns resulting in the above collections, the outstanding balance in assessed financial contributions of member States is still very high. As at 1 January 2006, out of the total assessed contributions of \$4,382,116.60 for the period 1989-2006, only \$1,678,808.96 had been received, leaving an outstanding balance of \$ 2,703,307.64.

B. United Nations grant

39. Since the biennium 1992-1993 the Institute has received a grant from the United Nations, which, for the biennium 2006-2007, continues to be \$380,300. Expenditure experience in the biennium 2004-2005 reveals that \$436,518.74 was needed to cover the salaries of the core Professional posts of the Director, Deputy Director, Research Adviser, Training Adviser, Information/Documentation Adviser and Administrative Finance Officer. As can be seen, the grant provided for only part of the salaries of the core staff, or about 20 months of the required salary payments, while the additional requirements were met from the assessed contributions of member States. As mentioned in paragraph 45 of the Institute's previous report to the General Assembly (A/60/123), the grant is not recosted to reflect the impact of inflation and currency fluctuations. The Institute therefore brings the questions of application of inflation and currency rates against the grant to the attention of the General Assembly, so that it may at least be able to meet the salary payments of its core staff.

40. The Institute wishes to express its appreciation to the General Assembly and its relevant committees for the financial support provided thus far. In order to enable the Institute to adopt an appropriate remuneration package to attract and retain a competitive and high-calibre work force capable of providing the required services to countries in the region, the Assembly may also wish to consider review of the level of the grant as well as the application of inflation and currency rates against it, as mentioned in paragraph 39 above.

VI. The future of the African Institute for the Prevention of Crime and the Treatment of Offenders: strategies for sustaining the Institute

41. In the 2005 World Summit Outcome contained in its resolution 60/1 of 16 September 2005, the General Assembly reaffirmed its commitment to promote peace, progress and democracy through undertakings aimed at providing multilateral solutions to challenges that impede the realization of development, peace and collective security and through the fostering of human rights and the rule of law; and reaffirmed its commitment to eradicate poverty and promote sustained economic growth, sustained development and global prosperity for all through an international partnership for development, sound policies aimed at good governance at all levels, mobilization of domestic resources and promotion of international trade as an engine for development, and to increase international financial and technical cooperation for development.

42. While there is affirmative international action to reinvigorate the process of development through programmes of debt relief, liberalization of trade and a

significant increase in aid, these conditions are not sufficient to change the situation in Africa. Serious crime on the continent endangers the quality of life, the enforcement of the law and sustaining social development. The emerging acceptance of that connection has made the continent a focus of global concern for necessary remedial action through technical assistance programmes at the subregional, regional and international levels, aimed at strengthening crime prevention and criminal justice systems, coupled with the need to introduce benchmarks, for the rule of law to prevail.

43. In that context, the Institute is a unique regional mechanism by which African countries can enhance their social development by eradicating the crippling effects of crime by strengthening capacity at the community level, including by empowering institutions and encouraging authorities to adopt a change in conduct and attitude, thereby establishing the foundation for improved systems of governance supported by strong criminal justice systems.

44. In its resolution 60/176, the General Assembly, noting that the financial situation of the Institute had greatly affected its capacity to deliver its services to African Member States in an effective and comprehensive manner, commended the Institute for its efforts to promote and coordinate regional technical cooperation activities related to crime prevention and criminal justice in Africa; commended the Secretary-General for his efforts to mobilize the financial resources necessary to provide the Institute with the core professional staff; and reiterated the need to strengthen further the capacity of the Institute; urged the States members of the Institute to make every effort to meet their obligations to the Institute; called upon all Member States and non-governmental organizations to adopt concrete practical measures to support the Institute; and requested the Secretary-General to intensify efforts to mobilize all relevant entities of the United Nations system to provide the necessary financial and technical support to the Institute to enable it to fulfil its mandate.

45. While the future of the Institute depends largely on the support of its member States, the Institute recognizes that their economic difficulties impede the full realization of that support. The Institute has therefore approached other agencies with proposals for bilateral and multilateral arrangements, including the implementation of joint activities for the benefit of its member States. In that context, the Institute has formed partnerships with the banking, commercial and manufacturing sectors in the East African region, with civil society organizations, with diplomatic missions of the donor community and with academic institutions—with a view to obtaining expertise and technical knowledge—and with mass media organizations, which can provide the Institute with effective publicity and support mobilization.

46. As the Institute is eager to further strengthen its position as crime prevention agency and mechanism for regional cooperation, it stands ready to consolidate its partnership with the Social Affairs Directorate of the African Union; with UNODC and other partners within the United Nations Crime Prevention and Criminal Justice Programme network; as well as with regional mechanisms, such as the regional police authorities, EAC and the Economic Community of West African States, through which coordination and harmonization of policies concerning law enforcement, crime prevention and criminal justice systems can be strengthened.

VII. Conclusions and recommendations

47. The emerging understanding that the crime problem needs to be curbed in order to safeguard and sustain social development has led to the development of practical and tailor-made initiatives requiring an interplay of factors and a set of deliberate activities that take into account prevailing circumstances. The concerted efforts of the Governing Board and of the Institute's partners and the continued support given to it by the General Assembly, most recently in its resolution 60/176, have enabled the Institute to respond to the needs of member States. In order to further enhance its capacity to fulfil its mandate, the Institute will build on the following pillars: (a) a pragmatic approach; (b) promotion of an effective dialogue; (c) networking; and (d) regional cooperation.

A. A pragmatic approach

48. The main focus of activities will continue to be demand-driven in response to the needs of the member States of the Institute. The overriding characteristic in Africa is the scarcity of resources available for intervention. Crime prevention requires a careful deployment of resources, the establishment of an effective law enforcement system and the maintenance of a strong criminal justice system in order to guarantee adherence to the law and the preservation of order. There is an implied financial burden to this. However, with the optimal use of available local resources and community participation in crime prevention strategies, strengthened through awareness-raising campaigns, the Institute will implement its substantive programme of work in the most efficient manner, to maximize the use of limited financial resources. The Institute will consolidate partnerships with the governmental crime prevention agencies and authorities and will seek to work with the traditional cultural and religious institutions, which wield strong influence over their members, in particular in terms of allegiance and character or behavioural disposition. Such institutions also have their own sources of funding. The Institute will encourage them to incorporate crime prevention and criminal justice concerns into their activities. It will also explore possibilities for joint activities with development agencies in the region, including the United Nations Development Programme, UNICEF, the United States Agency for International Development, the European Union and bilateral partners.

B. Promotion of an effective dialogue

49. The Institute will identify the support needed to strengthen its programmes. Having concentrated in the past on ministry secretariats, it will now also explore communication with heads of specialized units and departments such as the national revenue authorities, as well as with tax bodies, federations of employers and employees and human rights institutions. These agencies can help to advertise the significance of the Institute in terms of technical competence and expertise in offering technical assistance to national authorities. Information will also be provided through consultative missions to

various capitals and the regular updating of the website of the Institute. The Institute will also make efforts to strengthen the existing focal points of contact and to establish new ones through enhanced exchange of literature, bulletins and journals. Such initiatives are aimed at improving communication and at developing capacity at the national, subregional and regional levels to identify the needs and priorities of the agencies concerned. Moreover, monitoring of the effectiveness of policies and of remedial action will be strengthened and research and the dissemination of vital information will be promoted with a view also to making the Institute more accessible to its members and relevant to their needs.

C. Networking

50. The Institute has gained the private sector, civil society, academic institutions and the media as important partners and will further develop its network of contacts with a view to offering a comprehensive response:

(a) The private sector will further assist with the mobilization of resources for crime prevention programmes;

(b) Civil society raises awareness and improves community mobilization in support of the programmes of the Institute;

(c) Academic institutions provide technical knowledge and expertise, in particular in support of research and dissemination of best practices and information;

(d) The media strengthen the drive for mobilization and enhance the publicity about the Institute.

D. Regional cooperation

51. In order to enable the Institute to assist its member States in improving their capacity to address their crime problem, enhanced dialogue with national authorities and local experts is required. However, because of financial limitations, the Institute is experiencing difficulty in making regular visits to capitals to assess their needs and to evaluate the impact of the technical assistance offered. The Institute will therefore increasingly utilize its membership in regional organizations to reach out to its member States with packages of programmes designed to suit their needs. It will also further develop partnerships with the donor community in order to integrate proposals for crime prevention projects in the overall financial packages destined for individual countries or regional bodies. The Institute also plans to examine how to increase its cooperation with the donor community and the General Assembly with a view to attracting increased support for crime prevention activities in Africa.



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Macroeconomic policy questions

International financial system and development

Report of the Secretary-General

Summary

The present report, submitted in response to the request contained in General Assembly resolution 60/186, complements the reports of the Secretary-General on follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/61/___), and on debt crisis and development (A/61/___). It surveys the recent evolution of international official and private capital flows to developing countries, the growth of foreign exchange reserves and the recent efforts to reinforce the role of the international financial system in supporting financial stability.

* A/61/50 and Corr.1.



I. Net transfer of financial resources of developing and transition economies

A. Net resource outflows from developing and transition economies continued in 2005

1. Developing economies continued to make increasing net outward transfers of financial resources¹ to developed countries in 2005, reaching an estimated 527 billion United States dollars (\$) (see table 1). The exception is the net transfers to sub-Saharan Africa, which were positive, but declined in 2005. Net transfers from countries with economies in transition to developed countries rose to \$80 billion in 2005.

2. This pattern of net transfers departs from the post-war expectation that the growing populations and the relative scarcity of capital in developing countries would attract financial resources from developed countries. Instead, the major destination of net outward transfers from developing and transition economies has been to industrialized countries. These flows have been generated by growing exports and higher prices of oil and non-oil commodities.

3. This increase in net transfers has been accompanied by increasing net private capital inflows, partially offset by accumulation of official foreign reserves invested in government securities of major developed countries. The continued increase in reserve accumulation of developing countries showed substantial differences across regions. It moderated in Eastern and Southern Asia, while Western Asia and Africa continued the sharply accelerating trend that began in the early 2000s.

B. Appropriate levels of reserve accumulation

4. There is no universally accepted definition of the necessary amount of foreign exchange reserves. Under GATT Article XII, the International Monetary Fund (IMF) is given responsibility for determining when a country's reserves have fallen to a level justifying the introduction of exchange or trade restrictions under Articles XV and XVIII B, but IMF has never been given a mandate to determine when reserves are "excessive".

5. The introduction of floating exchange rates was meant to eliminate the need for countries to manage reserve positions. The growing integration of developing countries into international capital markets, however, has produced a marked change in factors used to assess the appropriate level of international reserves. In the absence of "collective insurance" in the form of balance-of-payments lending sufficient to meet sharp reversals in capital flows or export revenues, capital and commodity market volatility generates a rationale for higher reserve accumulation during periods of abundance to provide what has been called "self-insurance" against crises, a rationale that has motivated recent reserve accumulation in the developing world.

¹ The net financial transfer of resources statistic adds together receipts of foreign investment income and financial inflows from abroad minus payments of foreign investment income and financial outflows, including increases in foreign reserve holdings.

6. Under the Bretton Woods system, reserves equal to three to four months' value of imports had been considered as adequate. However, in a 1999 response to a request by India under a dispute on the application of Article XVIII B, the Fund used the sum of short-term liabilities by residual maturity and the mark-to-market value of the stock of portfolio investment to measure the adequate level of reserves. Subsequently, Greenspan and Guidotti suggested that reserves should cover external liabilities coming due in one year. Others have suggested that this be amended to include three months' value of imports. Another proposal would add an amount sufficient to cover the foreign currency liabilities of the domestic banking system to domestic residents. It is generally agreed that current reserves balances are approaching levels in excess of what would be required by a more rational system of reserve pooling such as IMF was originally created to provide, or rational levels of "self-insurance". To assess this phenomenon, table 3 provides regional averages of the ratio of reserves to short-term liabilities.

7. Only when adequate reserves have been determined is it possible to calculate the cost of excess reserves. When this cost is measured by the difference between domestic interest rates and external rates, the low level of interest rates in countries such as China, Malaysia and Thailand suggest that their reserves may have negligible costs or even provide net earnings, while for countries such as India and the Republic of Korea with higher interest rates, costs could be in the range of a half per cent of gross domestic product.² The recent increases in United States interest rates will further reduce the costs of excess reserves, while any further depreciation of the United States dollar would increase them. In the presence of policies to keep currencies stable against the dollar, or if United States interest rates provide support for the dollar, the former factor should offset the latter.

8. Some countries have already taken steps to use reserves for long-term investments in domestic infrastructure to promote development and/or investments in long-term diversified global assets that yield stable higher returns.³ The Government of Singapore Investment Corporation that manages the country's reserves has a wide range of assets, including equities, real estate and commodities. In 2005 the Korea Investment Corporation was created to manage \$20 billion of the Republic of Korea's foreign exchange reserves, with a mandate to achieve sustainable returns. In 2006 China's State Administration of Foreign Exchange announced that it will "actively explore ways of investing foreign exchange more efficiently".

C. High levels of net private capital flows to developing and transition economies sustained

9. The high level of net private capital flows to developing countries of 2004 was sustained in 2005, while net flows to transition economies in 2005 increased substantially from their 2004 level (see table 2). These levels of net capital flows

² See Genberg, H., McCauley, R., Park, Y. C. and Persaud, A., *Official Reserves and Currency Management in Asia: Myth, Reality and the Future*, International Centre for Monetary and Banking Studies, Geneva, 2005.

³ See Summers, L., "Reflections on global account imbalances and emerging markets reserve accumulation", I. K. Jha Memorial Lecture, Reserve Bank of India, Mumbai, India, 24 March 2006.

reflected the declining trend in risk premiums on emerging market investments, as measured by yield spreads on emerging market bonds. That they have reached a historical low in early 2006 has raised concerns that premiums on emerging market securities may not adequately reflect risks to investors.

10. Both favourable external factors and conditions specific to emerging market economies contributed to this trend. Sustained strengthening of global economic growth, low interest rates and ample liquidity generated a search for yield in international investment and an appetite for risk. The strong economic performance and better external debt profiles of an increasing number of emerging market countries have steadily improved their creditworthiness, leading to credit upgrades by major credit rating agencies. As a result, the investor base of emerging market financial instruments has continued to broaden to institutional investors and a wider cross-section of international investors. The net effect of this on the volatility of investment in emerging markets is unclear, however.⁴

11. These conditions also supported strong growth in international investment in local currency bonds and stocks of emerging markets. While local currency investments have transferred direct currency risk from emerging markets to investors, they are not immune to interest rate risk. In addition, emerging market exchange rates remain susceptible to downward pressure from a sell-off of local currency securities, as was evident in May 2006.

12. Signs of rising inflation and further monetary tightening in the United States increased volatility in international financial markets in the second quarter of 2006. The rise in emerging market risk premiums underscored the vulnerability to rising global interest rates and an economic slowdown. Meanwhile, the risk of a disorderly unwinding of large global imbalances and the resultant financial instability persists. The international community has recognized that action for the orderly resolution of these imbalances is a shared responsibility, with concerted and sustained implementation by every country involved, and has called for the promotion of multilateral action towards that end (see below).⁵

13. Foreign direct investment in developing countries increased strongly in 2005 and remained the largest component of net private capital flows to these countries while robust foreign direct investment in transition economies was also sustained. Foreign direct investment growth was broadbased, bolstered by favourable financing conditions, buoyant profits of transnational corporations and high commodity prices. The latter strengthened foreign direct investment flows to resource-rich countries in Africa, Latin America, Western Asia as well as the Commonwealth of Independent States, particularly the Russian Federation. The increase in foreign direct investment was mainly the result of increased cross-border merger and acquisition activity while greenfield investment weakened, with substantial declines in Latin America. Underlying strong net flows of foreign direct investment to developing countries were growing outward flows from developing countries, particularly a number of countries in East and South Asia.

⁴ See *World Economic and Social Survey 2005: Financing for Development* (United Nations publication, Sales No. E.05 II.C.1), chap. III.

⁵ *Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund*, 22 April 2006, para. 3.

14. Net investment in emerging market equities increased in 2005, particularly to Latin America and Asia, as stock prices in these regions rose to record highs along with a growing presence of foreign investors in local markets. The boom in oil also fuelled increased capital flows into equities in the Gulf Cooperation Council countries. The performance of commodity-related stocks was the strongest contributor in a number of markets.

15. Net bond issuance increased strongly in 2005 for all emerging market regions, except the oil-exporting countries of Western Asia and Africa. Net issuance was particularly large in Latin America as Argentina returned to the international bond market, as did Ecuador at year end. For emerging markets as a whole, issuance was evenly divided between sovereign and corporate bonds. Sovereign issuers took advantage of favourable financing conditions to prefinance 2006 credit requirements. These conditions also supported growing international investment in local currency bonds, through local bond markets, particularly in Latin American countries and Turkey. The growth of internationally issued local currency bonds also accelerated, albeit from a small base, with increased issuance by Brazil and Colombia.

16. The recovery in net commercial bank lending to emerging markets that began in 2003 continued in 2005. Lending increased to borrowers in emerging markets in East and South Asia and the oil exporters of Western Asia as well as the Russian Federation. But outflows of oil revenues from major oil exporters through international banks and deposits by Asian commercial banks and central banks in international bank accounts offset the increase in commercial bank lending.

D. Official development assistance increased substantially in 2005

17. Preliminary data from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) show total official development assistance (ODA) to the developing countries in 2005 increasing 31.4 per cent in nominal terms (8.7 per cent in real terms) to \$106.5 billion from 2004. The average share of ODA to gross national income of all DAC countries rose to 0.33 per cent, up from 0.26 per cent in 2004. OECD predicts that ODA will grow by an average annual rate of around 8 per cent between 2004 and 2010. These increases, however, will have to be made at a time when pressures in developed countries to keep fiscal balances in check are great, and the projected ODA total for 2010 (\$130 billion) still falls short of the \$150 billion which, according to some estimates, would be needed annually by developing countries to meet the Millennium Development Goals.

18. Assessing the composition of aid flows remains paramount. For example, the main factors behind the large increase in aid in 2005 were once over debt cancellations of around \$19 billion to Iraq and Nigeria, and over \$2 billion in aid to the victims of the 2005 tsunami. Thus ODA in 2006 and 2007 is expected to decline as the volume of debt relief declines. Moreover, in order for the developing countries to have a better chance of achieving the Millennium Development Goals, aid must be directed to the poorest and least developed among the developing countries. Although a few individual donors met the target of 0.15-0.20 per cent of their gross national income to assist the least developed countries, the amount of aid

for the least developed countries in 2004 after exclusion of the emergency, debt relief and reconstruction components, was lower in real terms than in 1990.

II. Strengthening the international financial architecture

A. Global financial governance: revitalizing international monetary cooperation

19. The International Monetary Fund has recently embarked on a medium-term strategic policy review⁶ of its role in the international financial system. The major conclusion of this review is that since international policy coordination is most effective when undertaken within a multilateral institution, the role of IMF in the area of multilateral surveillance should be strengthened.

20. The fact that industrial countries have not required financial support from IMF since the 1970s has led to a decline in the influence of the Fund over the exchange rate and macroeconomic policies of those countries. The large increases in foreign exchange reserves held by many emerging market countries as self-insurance against crises, accompanied by significant declines, including through early repayment of outstanding loans, of Fund credit to these countries, have further reduced the influence of IMF. In addition, changes in the international financial architecture and in IMF operations have continued to erode its original role as arbiter of the international monetary system.

21. Thus, steps should be taken to restore IMF in its primary role as the central institution charged with fostering global financial stability and growth, and as the forum for cooperation and decision-making on the global international monetary and financial system. Given its broad representation, the Fund is clearly the most appropriate forum for such cooperation. The Fund should contribute more to international policy coordination in order to address risks to the international monetary system and global growth. In this regard, it has been suggested that IMF needs to redefine itself as a global financial institution rather than as a lending institution to developing countries, and to find the ways to engage all member countries.

22. At its 2006 spring meeting, the International Monetary and Financial Committee supported proposals to strengthen the role of IMF in addressing systemic issues, including correcting global imbalances, through enhanced multilateral dialogue. The aim of the proposals is not only to catalyse multilateral debate on global economic issues, but also to bring countries together to consider joint actions. A multilateral approach will require a major commitment on the part of countries as well as politically difficult decisions at the national level. Yet, better coordination and cooperation is the best alternative to either more complex institutions of global governance or the risk of persistent imbalances that are resolved by global crises whose costs are increasingly borne by developing countries.

23. The effectiveness and credibility of IMF as a universal and cooperative institution, as a global coordinator of joint policy actions, is dependent on the

⁶ "The Managing Director's Report on Implementing the Fund's Medium-Term Strategy", International Monetary Fund (5 April 2006), available from <http://www.imf.org>.

adequate voice and participation of all its members. After several years of extensive deliberations, the need for changes in representation and in the distribution of quotas to reflect increased economic importance of many emerging market economies, especially in Asia, and to ensure that low-income countries are adequately represented has been recognized.

24. A two-stage approach to the reform, in which ad hoc quota increases for the most underrepresented countries would be agreed in the near term, seems to have major support. These increases should be considered at the annual meeting in September 2006. Other more complex issues such as reform of a quota formula and consequential realignment of quotas; reform of basic votes; the roles, responsibilities, size and composition of the Executive Board; the process for selection of senior management would be taken up at a later stage over the medium term. For this approach to produce results, it is clear that the second stage must be credibly linked to the first and have a clear deadline to ensure concrete action on comprehensive reform.

25. To perform its functions effectively, the Fund needs to be properly financed. However, owing to a drop in income caused by a drop in members' needs for IMF support lending, the long-term sustainability of the Fund's finances has been questioned since margins on lending are no longer sufficient to support IMF operations. The International Monetary and Financial Committee has thus instructed the Managing Director to develop proposals for more predictable and stable sources of income. As a first step, the Executive Board decided in April 2006 to establish an Investment Account and to transfer to the Account an amount equivalent to the Fund's reserves.⁷

B. Multilateral surveillance

26. There is a consensus that multilateral surveillance and the associated process of policy coordination and cooperation should continue to be at the core of crisis prevention efforts. In particular, with the advent of globalization, there is a need for more candid and effective surveillance over systemically important economies, with specific attention given to the impact of their policies on other countries and the international economy. Most importantly, IMF should put greater emphasis on assessing and highlighting the responsibility of major countries and country groupings for the occurrence, management and reduction of large imbalances in the world economy, with special attention on exchange rate developments and their impact on global financial stability. To be effective, the Fund needs to go far beyond simple analysis, and develop ways to stimulate collaborative efforts among these countries to contribute to orderly adjustment.

27. The ability of IMF to increase its influence on the global coherence of major countries' policies is hampered by the fact that these countries no longer need Fund resources, and thus implementation of Fund advice is voluntary. This has led many observers to suggest that the surveillance function should become independent of any other IMF activity. The independence of surveillance activities is considered

⁷ "IMF Executive Board Reviews Fund's Income Position, Sets Rate of Charge for FY 2007 and Approves Establishment of an Investment Account", International Monetary Fund, Press release No. 06/90 (4 May 2006), available from <http://www.imf.org>.

especially important for the large countries, as well as for regional and global surveillance. It has also been suggested that there should be increased transparency, candour and more specificity in the surveillance activities, as well as change in the focus of multilateral surveillance from a bottom-up to a top-down approach. This implies the evaluation of the needs and objectives of the international monetary system and then the assessment of compatible policies in the systemically important countries.

28. To strengthen further the surveillance work at the multilateral and regional levels, IMF member countries agreed at the 2006 Spring Meetings to establish a new process of multilateral consultations. It will bring together countries which have systemic influence on the global economy and, where relevant, entities formed by groups of countries. The aim of such an exercise is to build common vision for action on issues of systemic importance.

29. The challenge is to translate this agreement into effective coordinated actions. The first such consultations, involving China, the Euro Area, Japan, Saudi Arabia and the United States, will focus on the issue of global imbalances. It will concentrate on spillovers and linkages among these and other economies, rather than on domestic economic issues.⁸

30. As for bilateral country surveillance, it has been agreed that further consideration should be given at the September 2006 International Monetary and Financial Committee meeting to tailoring both the timing and intensity of this activity to countries' circumstances and the extent to which the Fund can add value. This includes measures to streamline surveillance by focusing on country needs rather than to rely on a "standardized" approach. Also, it has been stressed that surveillance should become more focused and selective, with more emphasis on monetary, financial, fiscal and exchange rate policies with less concentration on structural policies that are beyond the Fund's core areas of expertise.

31. A more selective and focused approach is considered instrumental to help shape the Fund's advice to better recognize the constraints and opportunities within countries. An important element of this is better integration of technical assistance into the surveillance process to ensure that members have the expertise and capacity to implement necessary changes.

32. International capital flows are among the most important features that have affected the Fund in the last decade. There is a growing consensus that the IMF Articles of Agreement do not need amendment to provide formal jurisdiction to deal with capital account issues. At the same time, the Strategic Review emphasized the growing need to deepen understanding of capital movements, including the causes and potential policy implications of the pro-cyclicality of international capital flows, to expand the analysis of the financial sector and capital markets and better integrate this analysis with macroeconomic issues. It is recognized that the Fund needs to conduct more research in this area to be able to use surveillance, to effectively advise individual countries on which strategies are best suited for their particular capital account liberalization process, or their autonomous decision to maintain restrictions on capital mobility.

* "IMF to Begin Multilateral Consultations with Focus on Global Imbalances", International Monetary Fund, Press release No. 06/118 (5 June 2006), available from <http://www.imf.org>.

33. The process of financial globalization has produced sustained exchange rate overshooting. Accordingly, particular emphasis in surveillance is now being put on the evaluation of the consistency of exchange rate and macroeconomic policies with national and international stability. As an important part of this evaluation, the work on estimating equilibrium exchange rates for industrial countries conducted by the Consultative Group on Exchange Rates will be expanded to cover all major emerging market currencies. It has also been suggested that the results of these assessments should become a point of reference for article IV surveillance discussions and be published in the *World Economic Outlook*. Also, an ongoing review of the 1977 decision on exchange rate surveillance has noted the need to update guidance on the treatment of exchange rate regimes, the notion of disequilibrium, and the procedures for monitoring by the Fund.

34. While there is a broad consensus that exchange rate policies are an important component of surveillance and that there should be more depth, candour and even-handedness in dealing with such issues, there are strong doubts about the usefulness of narrowly based estimates of equilibrium exchange rates. Many observers have argued that it is very difficult to define such an "equilibrium" and that assessing the "right" exchange rate remains largely judgemental. Publishing estimates of exchange rate over or undervaluation could thus be counterproductive and may adversely affect highly vulnerable markets in emerging economies.

35. Another important issue in improving surveillance is how to make Fund's recommendations more effective. The Strategic Review stresses that the Fund should engage the public more broadly, through a wider communications strategy to place its policy recommendations at the centre of national discussion of reforms. It will not be easy, however, to reconcile this approach with the Fund's traditional role as confidential adviser.

C. International standards and codes

36. The promotion of greater financial stability through development, dissemination, adoption, and implementation of international standards and codes was launched by IMF and the World Bank in 1999. Its success in creating broad coverage has meant that efforts can now focus on updates and follow-ups according to country needs in order to minimize their resource implications and maximize outcomes.

37. According to the Financial Stability Forum, the greater emphasis now given to international standards has generated greater interest in the arrangements for setting those standards. At its meeting in March 2006, the Forum reviewed the practices of the key international standard-setting bodies with regard to the transparency, governance and risk focus of their activities. It also considered the challenges, and potential implications for financial stability, of a recent series of international, regional and national regulatory initiatives. In this regard, members noted the desirability of continued dialogue with the private sector on regulatory initiatives.⁹

38. In July 2005, with the publication of guidance on two technical matters, the Basel Committee on Banking Supervision concluded the policy development stage

⁹ "Fifteenth Meeting of the FSF (Sydney, 17 March 2006)", Financial Stability Forum, available from <http://www.fsforum.org>.

of Basel II (International Convergence of Capital Measurement and Capital Standards: a Revised Framework). While additional refinement of the Revised Framework published in June 2005 might be desirable, it is more important that there be a pause to allow banks to proceed to the implementation of the Framework.¹⁰

39. Another important issue is to ensure consistency of implementation of Basel II across borders while avoiding a "one-size-fits-all" approach. The Basel Committee's Accord Implementation Group is engaged in outreach efforts with supervisors in different member countries in order to promote cross-border cooperation. This cross-border work has accelerated over the past year. For instance, in June 2006, the Basel Committee issued a paper setting forth general principles of information sharing in the context of Basel II implementation.¹¹ It has been recognized that, going forward, much more effort and cooperation will be needed to successfully resolve international implementation issues.

40. On 28 September 2005, the European Parliament passed the Capital Requirements Directive thus paving the way for its adoption by the 25 European Union member countries. Its adoption will put European banks and investment firms on track to implement Basel II from January 2007, in accordance with the Basel Committee schedule. An almost similar implementation schedule has been proposed for Japanese banks.

41. Unlike in the European Union and Japan, implementation of Basel II in the United States may be delayed by at least one year, owing to concerns about possible competitive disadvantages for smaller institutions that will remain on Basel I¹² and concerns about the significant drop in capital requirements for some large United States banks under Basel II that was projected by the quantitative impact studies. The implementation plan set forth in the draft Basel II Notice of Proposed Rulemaking, approved in March 2006, incorporates extensive safeguards to limit the potential for unintended consequences, including any possibility of a large decline in required capital levels.¹³

42. In many emerging economies Basel II is seen as an important catalyst to accelerate the introduction of best risk management practices within the banking sector in the medium and long term. According to the Financial Stability Institute, close to 90 non-member countries intend to adopt Basel II by 2010.¹⁴ The Basel Committee itself has indicated, however, that moving rapidly to introduce the Accord is not the first priority for non-G-10 countries, which should instead first concentrate on building a strong supervisory foundation. In this regard, immediate

¹⁰ Jaime Caruana, "Basel II progress" (26 September 2005), available at <http://www.bis.org>.

¹¹ "Basel Committee issues principles on home-host information sharing for effective Basel II implementation", Press release (2 June 2006), available at <http://www.bis.org>.

¹² United States banking agencies require only those institutions with more than \$250 billion in assets or more than \$35 billion in foreign receivables to implement Basel II. Accordingly, only 20 or so largest banking organizations may implement Basel II. For the rest, a separate "Basel 1A" framework updating Basel I will be employed.

¹³ Ben Bernanke, "Basel II: Its Promise and Its Challenges", Remarks at the Federal Reserve Bank of Chicago's 42nd Annual Conference on Bank Structure and Competition, Chicago, Illinois (18 May 2006), available from <http://www.federalreserve.gov>.

¹⁴ "Implementation of the new capital adequacy framework in non-Basel Committee member countries", Occasional Paper No. 4, Executive Summary, Financial Stability Institute (July 2004), available from <http://www.bis.org/fsi>.

implementation of some of the principles of Pillars 2 and 3 of the New Accord, addressing supervisory practices and expanded market discipline as preparation for the formal transition to Basel II has been suggested as a first priority.¹⁵ A special regime, similar to that being worked out in the United States, might be more appropriate for financial institutions in developing countries.

43. Along with Basel II, the Basel Committee continued its work to further enhance supervisory practices around the world. In April 2006, it issued for public comment updated versions of the 1997 *Basel Core Principles for Effective Banking Supervision* and the 1999 *Core Principles Methodology*.¹⁵ The *Core Principles* have been used by countries as a benchmark for assessing the quality of their supervisory systems and for identifying future work needed to achieve a baseline level of sound supervisory practices. According to the Committee, the revised *Core Principles* incorporate significant changes that have occurred in banking regulation since 1997. The document has also become more flexible to ensure efficient supervision of both advanced and less advanced banking systems as well as more objectivity and comparability in the assessment of different countries' compliance with the *Core Principles*. The exercise has been carried out in close cooperation with many non-member supervisors.

44. Corporate governance has continued to attract considerable national and international attention in the light of a number of high-profile breakdowns in the governance process. In February 2006, the Basel Committee released guidance on enhancing governance for banking organizations. The guidance places particular focus on activities of banking organizations conducted through structures which may lack transparency, or in jurisdictions that pose impediments to information flows.

45. The important process of harmonization of accounting standards to safeguard financial stability began several years ago and is being coordinated by the International Accounting Standards Board. A number of international financial reporting standards have been finalized and have been applicable to all listed companies in the European Union since 1 January 2005. It is estimated that by 2007 more than 90 countries will either permit or require the use of the standards for publicly traded companies.¹⁶

46. Also, several countries are working to bring their national standards into line with the international financial reporting standards. The Financial Accounting Standards Board of the United States and the International Accounting Standards Board are working towards finding common ground between the international financial reporting standards and the United States Generally Accepted Accounting Principles within a joint project aimed to develop a common conceptual framework.

47. Common financial reporting is considered a major step towards improving the efficiency of international financial markets and enhancing investor confidence in financial reporting. One of the most important initiatives has been to standardize the use of market pricing in all reporting. However, in the presence of high volatility

¹⁵ "Basel Committee seeks comments on updated banking supervision principles", Press release (6 April 2006), available from <http://www.bis.org>.

¹⁶ Malcolm Knight, "Global banking — paradigm shift", Speech at the Fourth Conference of the Federation of Indian Chambers of Commerce and Industry, Mumbai, India (5 October 2005), available from <http://www.bis.org>.

and endemic over and undershooting in financial asset markets, these measures should ensure that excess volatility and market mispricing are not exacerbated by being reflected in balance sheets, and end up introducing an excessive weight of short-term criteria into long-term portfolio allocation decisions, particularly by those agents that, by their very nature, should have a long-term focus in their investment decisions.¹⁷ Similarly, it may be important that accounting standards should facilitate rather than constrain the use of macroprudential frameworks for financial stability, particularly forward-looking provisioning for loan losses by banks.

D. Official liquidity provision

48. The scale and scope of and appropriate circumstances for future Fund financial support for members remain at the centre of policy debate. In one view, recent capital account crises demonstrate that the Fund's resources are insufficient to provide the required financial assistance. Hence, the limited nature of the Fund's potential financing support should be signalled more clearly and consistently to provide increased incentives for borrowing countries to implement more timely adjustment policies, for prudent risk taking by private creditors and for safeguarding the Fund's credibility. Regular access limits and the exceptional access framework should be applied predictably and consistently to ensure that Fund financing, together with adjustment policies, will contribute to restoring market confidence, and at the same time will avoid overlending and prolonged use. Also, financial assistance should be carefully considered in view of a country's overall capacity to repay.

49. Many others, however, argue that despite the rapid development and integration of international financial markets, there is still a strong rationale for the Fund to provide exceptional financing when countries face sharp declines or reversals of private capital flows. Consequently, access to liquidity during capital account crises should be commensurate with countries' potentially large-scale financing needs that may surpass normal lending limits based on members' quotas. Large-scale financing to support economic activity, employment and trade may also be necessary owing to the fact that the catalytic effects of IMF programmes have been limited. Moral hazard issues have been shown to be exaggerated. It has also been stressed that too much emphasis on the rules governing lending access could be counterproductive as each country's case tends to be different if not unique. Therefore, an adequate balance needs to be struck between rules and discretion.

50. Another issue concerns the arbitrage possibilities that exist as a result of the lack of harmonization of charges of different Fund financing facilities. This has made longer-term exceptionally large borrowing more attractive, and has also generated facility shopping, in which countries request support under the cheapest, but not necessarily most appropriate, facility. There is a broad agreement that this perverse incentive structure should be changed.

51. It has been argued that numerous reviews of various aspects of the Fund's finances over the past decade or so have resulted in an excessively complex overall financing and lending structure that should be simplified. As part of such effort, the

¹⁷ See the 76th Annual Report of the Bank for International Settlements for 2005/2006.

Board of Directors called for the policy on time-based repurchase expectations to be ended. Also, the relevance of the Supplemental Reserve Facility should be examined, as some recent experiences in the use of this facility have not involved the specific financial needs that the facility was designed to address.

52. Using the Fund financing for crisis prevention remains among the most important unresolved issues. Since the expiration of the Contingent Credit Lines in November 2003, IMF has been exploring other ways to achieve the facility's basic objectives. The Strategic Review proposed a new high access contingent financing vehicle. The new instrument would be available to members with strong macroeconomic policies, sustainable debt, transparent reporting, but which still face balance-sheet weaknesses and vulnerabilities. Access would normally be up to 300 per cent of quota, automatically available in a single up-front purchase, and augmentable upon subsequent review. This strikes a balance between providing some assurance of financing and limiting exposure before the size and policy response to a crisis are known. Financing beyond the initial drawing would take into account the emerging needs and policy requirements. Conditionality would focus on addressing underlying vulnerabilities, and performance criteria would be set to broadly indicate when policies go off track.

53. Still, reconciling the different demands on such an instrument will likely be very difficult. Any solution should balance countries' need for assurances that they can draw on the Fund's resources quickly and in sufficient amounts should a capital account crisis occur, without being seen by the markets as a potential crisis case, with some guarantee of appropriate policy response to address the underlying cause of crisis and of timely repayment to the Fund. Also, insurance instruments inherently face an exit problem that should be addressed. Indeed, the termination of arrangements with participating countries that allowed policy slippages may cause an adverse market reaction.

54. There have also been proposals supported by the International Monetary and Financial Committee to explore the possibilities for more interaction between the Fund and regional financing or reserve pooling arrangements. It has been argued that the Fund can play a more important role here, focusing on surveillance of pool members and signalling sound policies. Such Fund activities, by strengthening confidence of the pool participants in the economic policies of each other, may contribute to an increase in scale, scope and effectiveness of regional financial arrangements.

E. Crisis resolution

55. There has been important progress in introducing market-based approaches to the orderly and cost-efficient resolution of financial crises. The collective action clauses in emerging sovereign bond issues have increased, in value terms, from approximately 31 per cent at the end of 2002 to approximately 60 per cent as of end-February 2006.¹⁸ Thus far, the inclusion of collective action clauses has not had an adverse impact on the cost of issuance.

¹⁸ "Progress Report on Crisis Resolution", International Monetary Fund (21 September 2005), p. 3; "Report of the Managing Director to the International Monetary and Financial Committee on the IMF's Policy Agenda", International Monetary Fund (20 April 2006), available from <http://www.imf.org>

56. Since the release of the *Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets* agreed by four emerging market issuers — Brazil, Mexico, the Republic of Korea and Turkey — and by the Institute of International Finance and the International Primary Market Association in November 2004, following endorsement by the G-20, efforts have been made to broaden consensus among emerging market issuers and private sector creditors. About 30 countries have already expressed support for the *Principles*¹⁹ and according to the Institute, the *Principles* are already utilized as best practices for data transparency and investor relations by several countries. They have also helped in discussions between authorities and creditors in some restructuring cases.

57. Emerging market issuers and private sector creditors are now developing a process for monitoring and assessing implementation of the *Principles*. This work should identify circumstances where early correction could prevent crises from unfolding, offer guidance for the restructuring process in cases where debt restructuring is needed as well as facilitate continued relevance of the *Principles* in light of changing market characteristics, and help reveal whether the right balance has been achieved between providing sufficient guidance and allowing flexibility.

58. In March 2006, the Institute of International Finance established a Group of Trustees, comprised of senior public and private sector representatives from developed and developing countries. The mandate of the Group includes assessing the evolution of the international financial system as it relates to emerging markets; reviewing the development of the *Principles* including their implementation; proposing modification of the *Principles* if needed.²⁰

59. While the market-based approach to crisis resolution has witnessed progress in recent years, the role of official sector is still not well defined owing to the lack of clear guidelines for IMF involvement in the process of sovereign debt restructuring. The Argentine case has demonstrated that leaving the debt restructuring to the market participants may not be the most efficient approach. Rather, as a collective institution, the Fund could play a more active coordinating role to make restructuring more sustainable and comprehensive and to enhance its own role as impartial arbiter in the international financial architecture. Accordingly, it has been agreed that the Fund's interaction with creditors and debtors in the debt restructuring process, including the "lending into arrears" policy and information dissemination, should be re-examined.

60. The Strategic Review has reaffirmed that the insistence on progress towards resolution of external payments arrears should remain a condition for Fund lending as the existence of arrears damages confidence in the debtor and in the system as a whole, so their regularization is in the interest of all parties. In this regard, it is considered necessary to review what constitutes a good faith effort on the part of both debtors and creditors to resolve sovereign arrears. The Strategic Review also proposes that Fund lending during a debt restructuring should depend on an agreed fiscal and macroeconomic framework compatible with sustainable debt paths.

¹⁹ "Progress Report ...", p. 4.

²⁰ "Trichet, Meirelles and Gyohten to Lead New Group of Trustees for Emerging Markets Finance Initiative", Institute of International Finance press release (30 March 2006), available from <http://www.iif.org>.

61. The dissemination of timely and accurate information by the Fund in the form of debt sustainability analysis is considered to be of primary importance. This may facilitate restructuring negotiations between the debtor and its private creditors, by providing them with common assessment of the problems to be resolved.

F. International Monetary Fund engagement with low-income countries

62. The role of the Fund in supporting the global development partnership set out in Monterrey has been the subject of extensive debate. It is generally agreed that IMF should not be turned into another development institution. Multilateral development banks and bilateral donors are in better position to provide medium- and long-term development assistance. The Fund should rather stick to its core areas of expertise, which, in case of low-income countries, means addressing macroeconomic aspects of the development challenge, including maintaining macroeconomic stability and debt sustainability, through policy advice, capacity-building and, when necessary, financial assistance.

63. In this respect, one of the most important areas of work has been identified as advising low-income countries on how to deal with the macroeconomic effects of higher aid flows. This includes improving public expenditure management and domestic resource mobilization, as well as increasing absorptive capacity. No less important is finding ways to deal with real exchange rate appreciation resulting from rising aid flows. At the same time, there is no consensus on the Fund taking on the role of assessing the scale and scope of donors' future aid flows, i.e. on the Fund acting as a gatekeeper or fund-raiser.

64. In October 2005, the Executive Board of the International Monetary Fund approved a proposal establishing Policy Support Instruments for Poverty Reduction and Growth Facility-eligible members. The Instrument will provide policy support and signalling to low-income countries that do not need or want financial assistance from IMF, but still want the Fund to support their poverty reduction programmes and endorse the quality of their policies. The Instrument will be available on a voluntary basis and based on policies that meet the standard of upper credit tranche conditionality. Unlike article IV consultations, the Instrument will provide an explicit endorsement of a low-income member's policies. The Instrument is supposed to provide a mechanism for regular provision of policy advice and of an assessment of country policies useful for donors and markets. Also, more frequent use of assessments under the Instrument is intended to fill information gaps, thereby reducing the risk of unwarranted interruptions of donor support. The Policy Support Instrument signal is seen to be particularly useful to countries with strong macroeconomic fundamentals that nonetheless continue to depend on donors for development financing or that are in transition to market-based financing. Nigeria is the first country to take advantage of this aspect of the Instrument as part of its Paris Club debt reduction package.

65. According to the International Monetary and Financial Committee, the Instrument would not replace, but complement the Poverty Reduction and Growth Facility, which would remain the main instrument for IMF financial support for low-income countries. In this regard, it has been decided to establish a new "shock window" within the Facility for low-income countries that do not have a Facility to

help these countries cope with adverse short-term balance-of-payment shocks, mainly in their terms of trade. Countries that are "on-track" with Policy Support Instrument conditions would get rapid access to the window in the event of a shock.

66. By supporting the Multilateral Debt Relief Initiative, the Heavily Indebted Poor Countries Initiative and other debt relief initiatives, both creditors and debtors agreed to a new framework designed to end the lend-and-forgive cycle in low-income countries. To ensure that debt prospects improved by debt relief will not deteriorate through excessive additional borrowing, IMF is expected to expand its assistance in building fiscal and debt management capacity in low-income countries as well as to strengthen debt monitoring under the joint Bank-Fund debt sustainability framework. In this regard, the International Monetary and Financial Committee urged all creditors to work with IMF and the World Bank to adhere to responsible lending.²¹ Strong efforts will be needed to ensure that the beneficiaries of debt relief do not accumulate excessive debt again.

III. Policy conclusions

67. Multilateral surveillance and the associated process of policy coordination and cooperation remain at the centre of crisis prevention efforts. With deepening financial integration, the focus of surveillance is increasingly on the stability of the system as a whole. The recent agreement to strengthen IMF surveillance by engaging systemically important countries and, where relevant, entities formed by groups of countries in multilateral consultations on issues of systemic or regional importance is a welcome development. These consultations should become a venue for multilateral debate and an important vehicle for joint policy action.

68. The effectiveness of multilateral dialogue will depend, however, on adequate voice and participation of all countries. Therefore, it is critically important that an ongoing consideration of the governance structure of international financial institutions should result in prompt decisions on comprehensive reform and the specification of a timetable for action.

69. In a number of emerging market countries, despite strong policies and massive reserve holdings, underlying structural vulnerabilities still exist. This calls for a further exploration of appropriate international and regional financial instruments to help prevent and manage crises. Also, the modalities of official sector response to cases of sovereign debt restructuring and arrears should be better clarified.

70. The international community should continue to assist low-income countries in addressing the macroeconomic aspects of the development challenge, including maintaining macroeconomic stability and debt sustainability. In this regard, it is increasingly important to provide effective policy advice and technical assistance in analysing and managing the macroeconomic impact of an expected rise in aid flows. There is also a need to monitor debt sustainability in order to avoid a renewed build-up of excessive debt which has been reduced as a result of recent debt relief initiatives.

²¹ Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund (22 April 2006), available from <http://www.imf.org>

71. As a result of the increasing number of international, regional and national regulatory initiatives, many developing countries are facing multiple reform goals with only limited financial and implementation capacity. Hence, prioritization is important in meeting the challenge of strengthening the domestic financial system.

Table 1

Net transfer of financial resources to developing economies and economies in transition, 1995-2005

(Billions of United States dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Developing economies	49.4	26.5	-0.1	-34.0	-123.0	-187.9	-153.7	-202.2	-294.6	-367.8	-526.9
Africa	6.0	-5.5	-4.7	15.6	4.1	-27.7	-16.8	-6.7	-21.2	-34.5	-57.8
Sub-Saharan (excluding Nigeria and South Africa)	7.6	5.4	7.5	12.1	8.9	2.9	7.0	5.3	6.8	4.5	5.1
Eastern and Southern Asia	22.5	18.8	-32.7	-128.4	-143.0	-124.8	-117.2	-146.5	-172.5	-186.2	-243.0
Western Asia	22.6	12.7	14.0	34.1	5.5	-34.3	-23.8	-17.4	-40.9	-69.1	-132.7
Latin America	-1.7	0.6	23.3	44.7	10.3	-1.1	4.2	-31.7	-60.1	-78.0	-93.4
Economies in transition	-2.5	-6.1	2.9	3.6	-23.7	-49.4	-28.7	-24.8	-32.8	-53.5	-80.1
Memorandum item: Heavily indebted poor countries	6.8	7.2	7.5	9.0	10.1	8.3	8.3	10.4	9.6	10.1	11.8
Least developed countries	12.0	10.4	9.3	12.6	11.1	5.6	9.0	6.6	8.1	5.9	7.1

Source: United Nations Department of Economic and Social Affairs, based on International Monetary Fund (IMF), *World Economic Outlook* (April 2006), and IMF, *Balance of Payments Statistics*.

Table 2

Net financial flows to developing economies and economies in transition, 1995-2005

(Billions of United States dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Developing countries											
Net private capital flows	135.0	202.7	172.6	41.0	63.8	71.7	43.4	41.5	102.4	171.6	165.2
Net direct investment	82.4	100.6	130.8	134.7	150.3	141.1	153.8	119.6	136.7	138.5	174.3
Net portfolio investment ^a	31.0	81.7	40.3	29.6	71.4	25.4	-74.4	-81.4	-6.8	9.5	22.4
Other net investment ^b	21.6	20.4	1.4	-123.4	-157.9	-94.7	-36.0	3.2	-27.5	23.5	-31.5
Net official flows	24.4	-14.1	10.9	48.4	29.5	-38.5	9.1	21.3	-51.5	-72.9	-120.3
Total net flows	159.4	188.5	183.5	89.4	93.3	33.2	52.6	62.7	50.9	98.7	45.0
Change in reserves	-82.5	-96.7	-96.5	-33.1	-88.9	-101.7	-108.0	-164.3	-311.5	-445.9	-481.9
Africa											
Net private capital flows	5.3	0.3	10.1	8.1	7.6	1.7	12.0	8.4	6.0	12.2	30.5
Net direct investment	2.2	3.9	8.0	6.9	8.9	10.4	25.1	16.2	18.0	18.9	26.5
Net portfolio investment ^a	3.5	3.5	8.1	3.8	8.9	-2.0	-8.8	-0.8	-0.9	4.5	3.6
Other net investment ^b	-0.5	-7.1	-6.1	-2.6	-10.2	-6.8	-4.3	-7.1	-11.0	-11.2	0.5
Net official flows	4.3	-0.4	-3.4	8.7	7.0	2.7	-4.0	3.7	3.1	1.1	-7.4
Total net flows	9.5	-0.1	6.6	16.8	14.6	4.3	8.0	12.0	9.1	13.3	23.1
Change in reserves	-5.1	-8.8	-12.2	2.5	-0.9	-16.2	-10.3	-5.6	-15.1	-39.0	-60.3

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Eastern and Southern Asia											
Net private capital flows	98.6	115.9	48.4	-54.3	-0.4	4.3	21.1	23.9	68.2	126.3	55.3
Net direct investment	51.5	53.6	57.3	57.1	71.4	59.7	53.9	51.9	70.3	61.7	73.7
Net portfolio investment ^a	22.9	32.0	6.8	8.8	56.9	20.2	-51.2	-58.8	4.4	3.8	-31.1
Other net investment ^b	24.2	30.3	-15.8	-120.2	-128.8	-75.7	18.4	30.8	-6.5	60.7	12.6
Net official flows	-4.6	-15.9	14.1	19.7	1.9	-11.7	-11.7	4.6	-17.5	2.1	5.5
Total net flows	94.0	100.0	62.5	-34.6	1.5	-7.4	9.4	28.5	50.7	128.3	60.8
Change in reserves	-45.1	-49.5	-31.6	-51.6	-90.1	-60.3	-94.6	-152.3	-230.2	-348.4	-296.8
West Asia											
Net private capital flows	10.0	12.6	13.4	16.1	11.9	15.8	-12.9	11.3	12.7	27.1	54.3
Net direct investment	4.0	3.6	7.8	9.2	4.1	1.3	8.1	6.4	13.3	9.8	23.0
Net portfolio investment ^a	-0.3	0.7	-5.8	-8.6	4.3	4.5	-6.9	-6.9	-1.9	15.1	22.3
Other net investment ^b	6.3	8.4	11.3	15.4	3.5	10.0	-14.1	11.7	1.3	2.2	9.0
Net official flows	8.3	3.6	-0.6	5.8	14.1	-24.3	-1.4	-5.5	-43.1	-69.0	-93.2
Total net flows	18.3	16.3	12.8	21.9	26.1	-8.4	-14.3	5.8	-30.5	-42.0	-38.9
Change in reserves	-7.1	-18.2	-22.6	7.6	-5.8	-22.4	-4.9	-4.2	-30.8	-34.2	-93.3
Latin America and the Caribbean											
Net private capital flows	21.1	73.9	100.8	71.2	44.7	49.9	23.1	-2.1	15.5	6.0	25.2
Net direct investment	24.7	39.6	57.6	61.5	65.9	69.6	66.8	45.0	35.1	48.1	51.2
Net portfolio investment ^a	4.9	45.5	31.2	25.6	1.3	2.6	-7.6	-14.9	-8.4	-13.9	27.6
Other net investment ^b	-8.5	-11.2	11.9	-15.9	-22.5	-22.3	-36.1	-32.2	-11.2	-28.1	-53.6
Net official flows	16.5	-1.5	0.8	14.2	6.4	-5.2	26.3	18.5	6.1	-7.1	-25.2
Total net flows	37.5	72.3	101.5	85.3	51.1	44.8	49.5	16.4	21.6	-1.0	0.0
Change in reserves	-25.3	-20.2	-30.1	8.4	7.9	-2.8	1.9	-2.2	-35.5	-24.3	-31.6
Economies in transition											
Net private capital flows	5.5	-0.3	50.1	2.0	-9.0	-21.4	12.7	23.6	27.2	21.3	40.5
Net direct investment	3.8	5.8	8.1	9.2	8.0	6.0	9.1	8.8	11.6	22.8	16.1
Net portfolio investment ^a	-2.5	5.8	48.4	7.6	-0.7	-9.3	0.4	0.2	0.9	5.3	0.6
Other net investment ^b	4.4	-11.5	-6.4	-15.1	-16.4	-18.3	2.9	14.4	14.7	-6.6	23.8
Net official flows	1.7	-4.3	-0.6	1.8	-1.9	-6.3	-5.6	-10.7	-8.2	-7.6	-15.4
Total net flows	7.4	-4.2	49.5	3.6	-11.0	-27.9	6.8	12.7	19.0	13.9	25.1
Change in reserves	-6.9	5.2	-5.8	12.8	-7.4	-23.2	-16.5	-18.8	-35.2	-65.2	-83.0

Source: International Monetary Fund (IMF), *World Economic Outlook Database* (April 2006).

^a Including portfolio debt and equity investment.

^b Including short- and long-term bank lending, and possibly including some official flows to data limitations.

Table 3

Foreign exchange reserves to short-term external debt ratio of developing economies and economies in transition, 1995-2005

(Billions of United States dollars)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Developing economies	1.7	1.9	2.0	2.1	2.3	2.7	2.9	3.6	4.0	4.4	4.7
Africa	2.1	2.0	2.3	1.8	1.7	4.6	5.9	5.2	6.2	7.6	11.9
Sub-Saharan (excluding Nigeria and South Africa)	8.3	10.8	8.5	4.6	4.8	5.0	5.0	5.1	5.2	6.0	6.9
Eastern and Southern Asia ^a	1.7	2.1	2.5	3.0	4.3	5.5	4.5	6.0	6.0	6.4	6.0
Western Asia ^b	2.5	2.8	2.7	1.6	1.6	1.7	1.9	2.0	2.1	2.0	2.5
Latin America	1.3	1.4	1.4	1.6	1.5	1.5	1.7	2.1	2.6	2.8	3.0
Economies in transition	2.5	2.9	1.7	0.9	1.5	2.7	2.6	3.4	3.3	4.4	5.7
Memorandum item: Heavily indebted poor countries	4.2	6.9	6.8	3.0	3.3	3.3	3.8	4.5	5.8	6.6	7.4
Least developed countries	8.3	8.1	14.8	4.6	4.7	5.5	5.2	5.9	7.0	8.5	10.0

Source: United Nations Department of Economic and Social Affairs, based on International Monetary Fund (IMF), *World Economic Outlook* (April 2006).

^a Excluding newly industrialized Asian economies.

^b Excluding Israel.



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United Nations Regional Centre for Peace and Disarmament in Africa

Report of the Secretary-General

Summary

The present report contains an account of the activities undertaken by the Regional Centre to implement its mandate during the period from July 2005 to June 2006.

During the reporting period, the Centre continued to face two major challenges: the lack of a reliable source of funding that would ensure the sustainability of its operations; and the need to review its mandate and programmes in the light of developments in the field of peace and security in Africa since its establishment.

To address both issues and pursuant to the request of the General Assembly contained in resolution 60/86, the Secretary-General established, on the basis of existing resources, a consultative mechanism of interested States, in particular African States, for the reorganization of the Centre. During the reporting period, the mechanism held three meetings to review the mandate, the programme of work and the funding situation of the Centre with a view to formulating concrete recommendations to strengthen its operations and ensure its viability.

* A/61/50 and Corr.1



I. Introduction

1. The present report is submitted pursuant to General Assembly resolution 60/86, by which the Assembly, *inter alia*, requested the Secretary-General to establish, on the basis of existing resources, a consultative mechanism of interested States, in particular African States, for the reorganization of the United Nations Regional Centre for Peace and Disarmament in Africa, to continue to provide the Regional Centre with the necessary support for better achievements and results; to facilitate close cooperation between the Regional Centre and the African Union, in particular in the areas of peace, security, disarmament and development; to continue to provide assistance towards stabilizing the financial situation of the Centre; and to report to the General Assembly at its sixty-first session on the implementation of the resolution. The report covers the period from July 2005 to June 2006. A financial statement on the status of the Trust Fund for the Centre for the biennium 2004-2005 is contained in the annex.

II. Functioning of the Centre

2. The Regional Centre was established in 1986 pursuant to General Assembly resolution 40/151 G. Its headquarters is located in Lomé. The Centre functions within the framework of the Department for Disarmament Affairs of the United Nations Secretariat, which ensures its supervision and acts as the focal point for coordinating the input of the pertinent organs, programmes and agencies of the United Nations system. The Centre operates on the basis of existing resources within the Secretariat and on voluntary contributions that Member States and other donors offer.

3. During the reporting period, the Centre continued to operate under enormous uncertainty owing to a persistent decline in voluntary contributions in support of its activities. Within its limited financial resources, the Centre implemented its programme of work in the following main areas: peace and security; arms control and practical disarmament; research, information and publication; and cooperation with regional, subregional and civil society organizations.

III. Objectives and activities of the Centre

4. In accordance with General Assembly resolution 40/151 G, the Centre is mandated to provide, upon request, and in cooperation with the African Union, substantive support for initiatives and other efforts of the Member States of the African region towards the realization of measures of peace, arms limitation and disarmament in the region, as well as to coordinate the implementation of regional activities in Africa under the United Nations Disarmament Information Programme.

5. During the reporting period, the Centre carried out a number of activities in the four areas mentioned in paragraph 3 above.

A. Peace and security

6. Peace and security remained a core element of the activities of the Centre. The Centre participated, from 11 to 14 April 2006, in the series of meetings which the Security Council Group of Experts on Côte d'Ivoire conducted in Lomé, as part of the Group's multi-country visits to West Africa to gather information relating to States' compliance with the Security Council arms embargo on Côte d'Ivoire. The Centre provided the Group with logistical support which included office space, transportation and interpretation during the meetings.

7. In pursuance of the civil-military relations programme which it launched in 2001 in collaboration with the Commission of the African Union (AU) and other partners, the Centre developed an African security sector reform programme, a project proposal targeting 12 African countries that have either experienced functional disarticulations in civil-military relations or have emerged from armed conflicts. The programme enjoyed the support of a number of partners including the European Union, the United Nations Development Programme, France and the United States, in particular with regard to its pilot implementation in Togo.

8. In the context of its security sector reform programme, the Centre provided technical support to the Geneva Centre for the Democratic Control of Armed Forces in formulating and adopting a Code of Conduct for the Armed and Security Forces in West Africa. This initiative, which drew from the Centre's draft code of conduct for the armed and security forces in Africa, formulated in 2002, consisted of the organization in Accra, in October 2005, of a Preparatory Meeting of Experts to adapt the draft code of conduct to West Africa in the framework of the executive secretariat of the Economic Community of West African States (ECOWAS). The Accra meeting was followed, in April 2006 in Lomé, by an ECOWAS meeting of governmental experts organized by the Geneva Centre to review and adopt for submission to the ECOWAS Council of Ministers for further consideration the draft code of conduct for the armed and security forces of West Africa.

9. The Centre collaborated with the Sahel and West Africa Club of the Organization of Economic Cooperation and Development in the organization of a workshop on human security in West Africa, in Lomé, from 28 to 30 March 2006. The workshop, with the Centre's logistical and substantive support, was organized under the auspices of the ECOWAS executive secretariat. It brought together governmental experts and representatives of relevant civil society organizations to review the state of human security in West Africa and make recommendations for a programme of action. The Centre and the Sahel and West Africa Club continued discussions on follow-up activities based on the recommendations of the workshop.

B. Arms control and practical disarmament

10. During the period under review, the Regional Centre maintained contacts and exchanged information with the following organizations: the International Atomic Energy Agency on the nuclear safeguards regime in Africa; the provisional secretariat of the Comprehensive Nuclear-Test-Ban Treaty Organization on the promotion of the early entry-into-force of the Treaty; and the Organization for the Prohibition of Chemical Weapons regarding a comprehensive and effective implementation of the Chemical Weapons Convention in Africa.

11. The Centre discussed with Nigeria, Togo and the secretariat of the Economic Commission for Africa ways and means of promoting the entry into force of the African Nuclear-Weapon-Free-Zone Treaty (the Pelindaba Treaty), including such proposals as the organization of national awareness campaigns with African Government officials and members of parliaments; a regional conference and a capacity-building workshop. The proposals were reflected in the Centre's work programme which was submitted to the consultative mechanism for the reorganization of the Centre (see sect. V below).

12. The Centre continued to provide support to African States and African regional organizations and civil society for the implementation of the Programme of Action on small arms and light weapons.

Small arms transparency and control regime in Africa project

13. The Centre completed the implementation of the activities contained in the small arms transparency and control regime in Africa project in the following priority areas:

Inventory of the small arms and light weapons and ammunition production capacities of the participating States

14. This activity consisted of conducting a national survey on the production of both artisanal and modern firearms in each of the States participating in the project; the recruitment of one national consultant; the organization of field missions by the national consultant in the major production sites that had been pre-determined under the supervision of the national commission or national focal point for the control of small arms and light weapons; and the submission of a report on the findings of the survey.

15. The findings revealed that there were modern industries for the production of small arms and light weapons in South Africa, and to a lesser degree, in Nigeria; that there were artisanal factories of firearms in Burkina Faso, Kenya, Mali, Mozambique, Nigeria, South Africa and Togo; and that there were no known production activities in Djibouti and Gabon. In most cases, production activities were clandestine or were not regulated by law. Locally manufactured weapons were increasingly used in criminal acts and were losing their traditional cultural values. The quantity of the firearms produced as well as their technical specifications varied from one country to another.

Establishment and maintenance of an arms register and a database on SALW in Africa

16. The Centre established a small arms and light weapons register for Africa and a database on small arms and light weapons. The following eight categories of data to be reported upon were adopted by the participating States: importation, exportation, manufacture, holdings, collection and destruction, donations, surpluses and licenses. While the data contained in the register were submitted exclusively by the Governments of the participating States, those contained in the database were collected by the Centre from general sources. Access to the arms register is restricted to the participating States but the database is open to the general public through the following link <http://www.unrec-satcra.org>.

17. The final activity report was published and disseminated to the 10 States participating in the project as well as to donors and other interested institutions and individuals. The report, which can be obtained online at <http://www.unrecsatcra.org>, features accomplishments in the three areas of the project's activities, namely: the promotion of transparency in transfers and manufactures of small arms and light weapons in the participating States; the national inventories of the local capacity for the production of small arms and light weapons; and the establishment of the database and small arms register. The report is available on compact disc and in hard copy.

Moratorium of the Economic Community of West African States on the importation, exportation and manufacture of light weapons

18. The Centre continued to support ECOWAS in the implementation of its moratorium on the importation, exportation and manufacture of light weapons and provided technical expertise to West African civil society in Bamako for the organization of a civil society workshop on a review of a draft text of a convention for the control of small arms and light weapons in West Africa. The Centre, in collaboration with Oxfam Great Britain and the West African Action Network on Small Arms, had contributed to the preparation of a draft text.

19. The Centre facilitated the process to transform the ECOWAS moratorium on the importation, exportation and manufacture of light weapons into a convention through chairing and participating in the meeting of independent experts in Abuja, on 9 and 10 March 2006, to review the draft convention, as well as in the meeting of the ECOWAS Council of Ministers in Bamako, from 29 May to 6 June 2006, to examine and adopt the draft convention. The convention was approved for signature by the ECOWAS Extraordinary Conference of Heads of State and Government on 14 June 2006.

Support for national commissions for the control of small arms and light weapons

20. The Centre has continued to provide support to African countries in the establishment and/or strengthening of national institutions for the control of small arms and light weapons. During the reporting period, support was provided, in particular, to the national commissions of Burkina Faso, Djibouti, Gabon, Kenya, Mali, Mozambique, Nigeria, South Africa and Togo in the context of implementing the transparency and control regime project. In addition to liaising with the national commissions on data collection matters, the Centre provided technical expertise to the Nigerian national commission for the organization of a training programme on enhanced stockpile management and control in Nigeria, held in Kaduna, Nigeria, on 4 and 5 May 2006.

C. Research, information and publication

21. The Centre continued to offer graduates and researchers in the areas of peace, security and disarmament in Africa places in its internship programme. During the reporting period, interns and researchers were received from the International Relations Institute of Cameroon, conducting research on the status of the implementation in Africa of the recommendations contained in the report of the

Secretary-General on "The causes of conflict and the promotion of durable peace and sustainable development in Africa"; from the Georg-August-Universität, Göttingen, Germany, working on the promotion of civil-military relations matters in Africa; and from the University of Lomé also working on civil-military relations matters, with a focus on Togo.

22. The Centre also continued to maintain and improve its website (www.unrec.org). Substantial work was undertaken to redesign the English and the French versions of the site. New pages and links to partner institutions were being set up to facilitate and expand the readership of the site.

D. Cooperation with regional, subregional, civil society organizations and entities of the United Nations system

23. During the period under review, the Centre cooperated with regional and non-governmental organizations in the field of peace, security and disarmament in Africa. That cooperation took the form of exchanges of programmes and information, and provision of technical advice and expert services, particularly with regard to the drafting of concept papers, project documents and conference reports.

24. Cooperation was maintained with the Commission of AU in following up on joint activities, including the draft code of conduct for the armed and security forces of African States, which had been under consideration by the Commission for formal adoption by African Governments; and on a draft memorandum of understanding on joint activities which the Centre had submitted to the Commission for review. Cooperation between the two institutions resulted in the adoption by the Executive Council of the African Union of decision EX.CL/243 (VIII) Add.7, by which the Council requested the Commission to examine the proposal by Togo regarding the Centre and make recommendations on support for the Centre, and called upon its member States to make voluntary contributions to the Centre to maintain its operations, pending recommendations by the Commission and adoption of a decision by the policy organs of AU.

25. Cooperation with Oxfam Great Britain was reinforced during the reporting period through the initiation of a proposed one-year joint project on the elaboration of training materials and the organization of a training-of-trainers workshop on peacebuilding and practical disarmament for civil society and grassroots organizations. Funding for the project was being provided by the Swedish International Cooperation Agency through Oxfam Great Britain.

26. The Centre continued its cooperation with the Geneva Centre for the Democratic Control of the Armed Forces, within the framework of the Centre's security sector reform programme and, in particular, in the context of adopting regional codes of conduct for the armed and security forces in Africa.

27. In Togo, the Centre worked with the national commission to set up computerized facilities for data collection on the flow of weapons in the country and jointly to organize a meeting for the launching of the small arms transparency and control regime in Africa database, the project's final activity report and the inventory of national capacities for the production of small arms and light weapons in Togo.

28. In preparation for the United Nations Conference to Review Progress Made in the Implementation of the Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons in All Its Aspects, the Centre provided organizational and substantive support to the Togolese Réseau National d'Action sur les Armes Légères, in the organization of a workshop entitled on the control of trafficking in small arms and light weapons, in collaboration with the Togolese national commission, on 22 and 23 May 2006.

29. The workshop provided an opportunity for the Government and civil society to review Togo's accomplishments in the implementation of the Programme of Action. It enabled the Government, particularly through the national commission, to formulate its report to be presented to the Review Conference.

30. The Centre initiated a partnership programme with the United Nations Regional Centre for Peace, Disarmament and Development in Latin America and the Caribbean. Specifically, the programme aimed at developing an interregional cooperation initiative to facilitate the transfer to Africa of the knowledge, skills and best practices from the law enforcement training courses on the control of the legal firearms trade and its illicit trafficking, developed by the United Nations Regional Centre for Peace, Disarmament and Development in Latin America and the Caribbean, Interpol, the University for Peace and the Inter-American Drug Abuse Control Commission of the Organization of American States in Latin America and the Caribbean. That initiative would cover the transfer of all the tools developed by the United Nations Regional Centre for Peace, Disarmament and Development in Latin America and the Caribbean and its partners to organize training-of-trainers courses in the region, including a training kit with a detailed user's guide, procedure manuals, samples and a complete database system to facilitate the organization of various courses simultaneously. The initiative will also include the adaptation of an African regional training course help desk to assist Member States, the United Nations and Interpol in the development of courses in Africa. The organization of a series of workshops in various subregions of the two continents will ensure the transfer of knowledge and lessons learned.

IV. The operational situation of the Centre

A. The financial situation

31. Financial resources for the Centre's operations have been dwindling steadily over the years. While some limited funds were received for the execution of projects, unfortunately contributions in support of the operational costs of the Centre were not forthcoming. Those costs are related to maintenance expenses and salaries for the local staff and security.

32. During the reporting period, the financial situation seriously worsened. At the sixtieth session of the First Committee, the Under-Secretary-General for Disarmament Affairs, at an informal meeting devoted to the issue of regional disarmament, informed the Committee that consultations conducted by the Department for Disarmament Affairs with Member States regarding the possibility of temporarily regrouping the Regional Centre for Peace and Disarmament in Asia and the Pacific and the Regional Centre for Peace and Disarmament in Africa with existing United Nations operations in their respective regions, namely the Economic

and Social Commission for Asia and the Pacific in Bangkok, and the United Nations Office at Nairobi or the Economic Commission for Africa in Addis Ababa, yielded inconclusive results. The Under-Secretary-General further informed that there were still differences of views among Member States and that he intended to continue his consultations on the matter.

33. In the meantime, the Department for Disarmament Affairs continued to focus its efforts on identifying ways and means of ensuring the operational sustainability of the Centre, with particular attention given to solutions highlighting efficiency and cost-effectiveness, as well as to the demands and needs of the African region. Extensive fund-raising activities were carried out by the Director of the Centre and the Chief of the Regional Disarmament Branch of the Department for Disarmament Affairs. The Centre reached out to potential donors and partners and developed a number of funding proposals within the framework of its work programme.

34. By its decision EX.CL/243 (VIII) Add.7, adopted at Khartoum in January 2006, the Executive Council of the African Union appealed to its member States to make voluntary contributions to the Centre to maintain its operations, pending recommendations by the Commission and adoption of a decision by the policy organs of the African Union on sustaining the viability of the Centre.

35. During the reporting period, voluntary contributions to the Centre's Trust Fund had dropped to only US\$ 3,326.81. The Secretary-General wishes to express his gratitude to the Government of Cameroon for its financial contributions, and to the Government of Togo, the host country, for its overall support for the Centre and its financial contribution.

B. Staffing

36. Owing to insufficient financial resources, the size of the staff of the Centre during the reporting period was further reduced. The Centre continued to operate under strenuous staffing conditions comprising, in addition to the Director, four General Service staff and two locally recruited short-term consultants. The difficult staffing situation has been compounded by the unpredictability of financial resources, which makes it impossible for the existing staff to be offered longer-term contracts.

V. Consultative mechanism for the reorganization of the United Nations Regional Centre for Peace and Disarmament in Africa

37. Pursuant to General Assembly resolution 60/86, entitled "United Nations Regional Centre for Peace and Disarmament in Africa", a consultative mechanism for the reorganization of the Regional Centre for Peace and Disarmament in Africa was established. It held three meetings on 5 May, 5 June and 12 June 2006 respectively in New York.

38. Using a paper prepared by the Chairman containing a list of recommendations on the reorganization of the Centre as a basis, participants exchanged views and discussed how to solve the Centre's problems with regard to its programme of work.

and funding. Several delegations underlined the need for the Centre to align its programme of work closely with the priority issues of the African countries in the field of disarmament and security. Some participants were of the view that the mandate of the Centre, established in 1986, was no longer valid with respect to the current situation in Africa, while others considered the mandate still valid and saw no need to address it. It was pointed out that the lack of funding was at the core of the Centre's problem and that the development of meaningful projects could generate the resumption of funding. Participants were of the view that the staffing situation needed to be improved to allow the Centre to function properly and to respond to the needs of African countries. Several delegates were ready to submit concrete proposals to supplement the Chairman's paper. During the discussions, two specific proposals were put forward to address the immediate needs of the Centre: (a) the establishment of two additional posts to be funded from the regular budget; and (b) allocation from the regular budget of an annual subvention to cover the difference between the contribution of the host country and the actual operating costs of the Centre. Since the discussions were inconclusive, it was agreed that participants in the mechanism would meet again in July with a view to finalizing a list of concrete recommendations.

VI. Conclusion

39. During the reporting period, the Centre continued to face two major challenges: the lack of a reliable source of funding that would ensure the sustainability of its operations and the need to review its mandate and programmes in the light of developments in the field of peace and security in Africa since its establishment.

40. The activities and staffing of the Centre have been reduced in order for it to operate within the available limited resources. Notwithstanding, the future of the Centre looks bleak, as there is no foreseeable reliable source of funding that would ensure its operational sustainability.

41. It is hoped that concrete recommendations of the consultative mechanism on the staffing and operating costs of the Centre will be adopted and implemented so as to offer a solution to the current situation and enable the Centre to effectively fulfil its mandate in responding to the demands and needs of Africa in the field of peace and disarmament.

Annex

**Status of the Trust Fund for the United Nations
Regional Centre for Peace and Disarmament in
Africa for the biennium 2004-2005**

<i>United States dollars</i>	
Fund balance, 31 December 2003	445 093
Income, 1 January 2004-31 December 2005	
Voluntary contributions ^a	648 601
Interest income	24 405
Other/miscellaneous income	3 249
Subtotal	1 121 348
Expenditures 1 January 2004-31 December 2005	847 442
Fund balance, 31 December 2005	273 906

Note: Information based on the statement of income and expenditure for the biennium 2004-2005 ending 31 December 2005. During the period from 1 January to 30 June 2006, no contributions were received.

^a In 2004, contributions were received from: Austria (\$10,000), Finland (\$219,074), France (\$94,979), Namibia (\$1,000) and Togo (\$202,970). In 2005, contributions were received from: Cameroon (\$3,327), France (\$98,953) and Togo (\$18,298).